

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond 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, interest on the Bonds (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, except that no opinion is expressed as to the status of interest on any Bond for any period that such Bond is held by a "substantial user" of the facilities financed or refinanced by the Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.



\$26,985,000
CALIFORNIA HOUSING FINANCE AGENCY
REVENUE BONDS
(SAN FRANCISCO SUPPORTIVE HOUSING – 833 BRYANT APARTMENTS)
2020 ISSUE N – SOCIAL BONDS

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

The \$26,985,000 California Housing Finance Agency Revenue Bonds (San Francisco Supportive Housing – 833 Bryant Apartments) 2020 Issue N – Social Bonds (the "Bonds") will be issued under the provisions of an Indenture of Trust dated as of July 1, 2020 (the "Indenture") between the California Housing Finance Agency (the "Issuer") and U.S. Bank National Association, as trustee (the "Trustee"). Interest on the Bonds will be payable on April 1 and October 1 of each year, commencing October 1, 2020. The Bonds are being issued as fully registered bonds and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds will be issued in denominations of \$5,000 and any integral multiple thereof. DTC will act as securities depository of the Bonds. Individual purchases of Bonds will be made in book-entry form only. Payments of principal of and interest on the Bonds are to be made to purchasers by DTC through DTC Participants. Purchasers will not receive physical delivery of the Bonds purchased by them. The Bonds are being issued by the Issuer to: (i) make a loan to 833 Bryant, L.P., a California limited partnership (the "Borrower") to finance and/or refinance a portion of the acquisition, construction and equipping of a 146-unit (including one manager's unit) multifamily residential rental supportive affordable housing project located in the City and County of San Francisco, California (the "City") and known as 833 Bryant Apartments (the "Project") and (ii) fund a portion of interest on the Bonds to October 1, 2022. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Issuer is not funding a reserve fund for the Bonds.

The Bonds are subject to extraordinary, mandatory and optional redemption prior to their stated maturities, as described herein. See "THE BONDS – Redemption" herein.

The Bonds are special limited obligations of the Issuer secured by the Trust Estate pledged to the Bonds under the Indenture. Payment of the principal of and interest on the Bonds will be made primarily from loan payments under the Loan Agreement. In fulfillment of its obligations under the Loan Agreement, the Borrower will assign to the Trustee all its right title and interest in and to the Lease Agreement between the City and the Borrower to be executed and delivered by the City upon satisfaction of certain conditions relating to the Project, as described herein. The City will be required under the Lease Agreement when executed and delivered to make Rent Payments from any source of legally available funds in an amount equal to 1.15 times the scheduled payments of principal of and interest on the Bonds.

From the delivery date of the Bonds until the execution, delivery and commencement of the Lease Agreement (as described herein), the Bonds will be secured by funded interest and an Irrevocable Standby Letter of Credit to be delivered by Citibank, N.A. in connection with the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE STANDBY LETTER OF CREDIT" herein.

The Bonds are limited obligations of the Issuer, payable solely from the funds and moneys pledged and assigned under the Indenture. None of the Issuer, the State of California, or any political subdivision thereof (except the Issuer, to the limited extent set forth in the Indenture) or the City shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever except as set forth herein, and none of the Bonds or any of the Issuer's agreements or obligations shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The Issuer has no taxing power.

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

The Bonds will be offered when, as and if issued, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Issuer, and certain other conditions. Certain legal matters will be passed on for the City by Hawkins Delafield & Wood LLP and Stradling Yocca Carlson and Rauth, A Professional Corporation, as Co-Disclosure Counsel to the City, for the Borrower by Gubb and Barshay LLP, for Citibank, N.A. as standby letter of credit provider by Robinson & Cole LLP and for the Underwriter by their counsel, Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery through the book-entry facilities of DTC on or about July 29, 2020.

Citigroup

\$26,985,000
CALIFORNIA HOUSING FINANCE AGENCY
REVENUE BONDS
(SAN FRANCISCO SUPPORTIVE HOUSING – 833 BRYANT APARTMENTS)
2020 ISSUE N – SOCIAL BONDS

MATURITY SCHEDULE

Serial Bonds \$13,665,000

<u>Maturity</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP*</u> <u>(Base No. 13034P)</u>
2023	\$ 500,000	5.000%	0.270%	112.585	A72
2024	510,000	5.000	0.320	117.071	A80
2025	545,000	5.000	0.420	121.167	A98
2026	570,000	5.000	0.560	124.753	B22
2027	600,000	5.000	0.690	128.057	B30
2028	630,000	5.000	0.780	131.366	B48
2029	660,000	5.000	0.890	134.227	B55
2030	695,000	5.000	1.000	136.787	B63
2031	730,000	5.000	1.070	139.534	B71
2032	765,000	5.000	1.180	141.537	B89
2033	805,000	5.000	1.320	139.685 c	B97
2034	845,000	4.000	1.600	125.458 c	C21
2035	875,000	4.000	1.700	124.255 c	C39
2036	910,000	4.000	1.740	123.777 c	C47
2037	950,000	4.000	1.780	123.302 c	C54
2038	985,000	4.000	1.820	122.829 c	C62
2039	1,025,000	4.000	1.860	122.358 c	C70
2040	1,065,000	4.000	1.900	121.889 c	C88

\$6,005,000 4.000% Term Bonds due April 1, 2045 Yield: 2.100%; Price: 119.575 c
CUSIP*: 13034PC96

\$7,315,000 4.000% Term Bonds due April 1, 2050 Yield: 2.150%; Price: 119.005 c
CUSIP*: 13034PD20

c Priced to the first redemption date of April 1, 2032.

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Ratings on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of investors. None of the City, the Issuer or the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

GENERAL INFORMATION

Sources of Information. The information set forth herein has been obtained from the Issuer, the City and the Borrower and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the 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 Issuer, the City, the Borrower or any other source, since the date hereof.

The information set forth herein relating to the Issuer under the headings “THE ISSUER” and “NO LITIGATION – The Issuer” has been obtained from the Issuer. The Issuer has not reviewed or approved any information in this Official Statement except the information relating to the Issuer under the foregoing headings. The Issuer assumes no responsibility for the accuracy or completeness of any other information in this Official Statement. The information herein is subject to change without notice, and neither the 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 Issuer or the Borrower since the date hereof. The Issuer has not and will not agree to provide any annual financial statements or other credit information of the Issuer, the City or the Borrower to investors on a periodic basis.

The City maintains a website with information pertaining to the City. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

Use of Official Statement. This Official Statement is submitted in connection with the issuance and delivery of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. No dealer, broker, salesperson or other person has been authorized by the Issuer, the Borrower or the City to give any information or to make any representations in connection with the offer or sale of the Bonds 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 Issuer, the Borrower, the City or the Underwriter. 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 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access system.

Involvement of Underwriter. The Underwriter has submitted the following statement for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Information Subject to Change. 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 Issuer, the Borrower or the City or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. The Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

**CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “project,” “expect,” “anticipate,” “intend,” “believe,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as otherwise noted, none of the City, the Borrower or the Issuer plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.



AERIAL VIEW & VICINITY MAP



CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS

Michael Gunning, Acting Chairman

Members

AnaMarie Avila Farias
Eileen Gallagher
Jonathan C. Hunter
Tiena Johnson Hall
Preston Prince
Dalila Sotelo

Ex Officio Members

Kate Gordon
Tia Boatman Patterson
Fiona Ma
Keely Bosler
Dr. Vito Imbasciani
Doug McCauley
Lourdes M. Castro Ramírez

Executive Director

Tia Boatman Patterson

SPECIAL SERVICES

Bond Counsel and Agency Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Underwriter's Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Dissemination Agent for City

Goodwin Consulting Group, Inc.
Sacramento, California

Trustee

U.S. Bank National Association
San Francisco, California

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

	Page
INTRODUCTION	1
General.....	1
Application of Proceeds.....	1
The Issuer.....	1
The City	2
The Borrower.....	3
The Project and Permanent Supportive Affordable Housing.....	4
The Bonds	5
Designation as Social Bonds.....	5
Security for the Bonds During Construction of the Project.....	5
Security for the Bonds Following Construction of the Project.....	6
No Reserve Fund	6
Limited Obligation.....	6
Continuing Disclosure	7
Availability of Legal Documents.....	7
THE PROJECT	7
General.....	7
Development and Funding Partners.....	9
Key Project Team Members	9
ESTIMATED SOURCES AND USES OF FUNDS	11
DEBT SERVICE REQUIREMENTS.....	12
THE BONDS	13
General.....	13
Book-Entry Only.....	14
Redemption	14
Purchase of Bonds in Lieu of Redemption	17
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	17
General.....	17
Limited Obligation.....	18
No Additional Parity or Subordinate Indebtedness.....	19
Flow of Funds from Revenue Fund Under Indenture	19
Standby Letter of Credit During Construction Period	19
Loan Agreement	20
Lease-Leaseback; Annual Appropriation.....	20
Sublease Agreement.....	21
Leasehold Deed of Trust.....	22
Regulatory Agreement	22
Insurance	22
Rental Abatement	23
STANDBY LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT	24
General.....	24
Description of Letter of Credit.....	24
Description of Reimbursement Agreement.....	24

TABLE OF CONTENTS
(continued)

	Page
RISK FACTORS	26
Limited Obligation.....	26
Abatement	26
Project Construction Delay	27
Letter of Credit.....	27
Limitations Relating to the Leasehold Deed of Trust	27
Risk of Uninsured Loss.....	28
No Limitation on Incurring Additional Obligations	28
Risks Related to City Finances and Lease Payments.....	29
Certain Seismic Risks	35
Other Events	36
Loss of Tax Exemption.....	36
TAX MATTERS.....	37
CONTINUING DISCLOSURE	39
RATING	39
NO LITIGATION	39
The Issuer.....	39
The City	40
The Borrower	40
RELATIONSHIPS AMONG PARTIES	40
UNDERWRITING	40
LEGAL MATTERS.....	41
APPENDIX A – CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES.....	A-1
APPENDIX B – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND EXPENDITURES.....	B-1
APPENDIX C – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2019	C-1
APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS	D-1
APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATES.....	E-1
APPENDIX F – FORM OF BOND COUNSEL OPINION	F-1
APPENDIX G – BOOK-ENTRY SYSTEM.....	G-1
APPENDIX H – INFORMATION REGARDING THE LETTER OF CREDIT PROVIDER	H-1

OFFICIAL STATEMENT

\$26,985,000
CALIFORNIA HOUSING FINANCE AGENCY
REVENUE BONDS
(SAN FRANCISCO SUPPORTIVE HOUSING – 833 BRYANT APARTMENTS)
2020 ISSUE N – SOCIAL BONDS

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. The Introduction is subject in all respects to more complete information in the entire Official Statement, which includes the cover page, the inside cover page and appendices hereto (the “Official Statement”) and the issuance and delivery of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

General

The \$26,985,000 California Housing Finance Agency Revenue Bonds (San Francisco Supportive Housing – 833 Bryant Apartments) 2020 Issue N – Social Bonds (the “Bonds”) will be issued under the provisions of an Indenture of Trust dated as of July 1, 2020 (the “Indenture”) between the California Housing Finance Agency (the “Issuer”) and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Indenture.

Application of Proceeds

The Bonds are being issued by the Issuer to: (i) make a loan to 833 Bryant, L.P., a California limited partnership (the “Borrower”), to finance and/or refinance a portion of the acquisition, construction and equipping of a 146-unit (including one manager’s unit) residential permanent supportive housing project for members of the chronically homeless population located in the City and County of San Francisco, California (the “City”) and known as 833 Bryant Apartments (the “Project”) and (ii) fund a portion of interest on the Bonds to October 1, 2022. See “THE PROJECT” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Issuer

The information under this heading has been furnished by the Issuer, and has not been independently verified by the Trustee, the Borrower, the City or the Underwriter. None of the Trustee, the Borrower, the City or the Underwriter makes any representation whatsoever as to the accuracy, adequacy or completeness of such information.

The Issuer was created in 1975 by the Zenovich-Moscone-Chacon Housing and Home Finance Act as a public instrumentality and a political subdivision of the State of California (the “State”) with the purpose of working with the private sector to provide more affordable housing and exists within the Department of Housing and Community Development (“HCD”), which is part of the Business, Consumer Services and Housing Agency of the State. The Issuer is authorized to issue its bonds, notes and other obligations for a variety of purposes, including (1) making development loans, construction loans,

mortgage loans and property improvement loans to qualified borrowers to finance housing developments and other residential structures; (2) purchasing such loans through qualified mortgage lenders; and (3) making loans to qualified mortgage lenders under terms and conditions requiring the proceeds thereof to be used for certain loans.

The Issuer has sold and delivered obligations other than the Bonds, and will sell and deliver other obligations which are and will be secured by instruments separate and apart from the Indenture and the Bonds. The holders of such obligations of the Issuer have no claim on the security for the Bonds, and the owners of the Bonds will have no claim on the security for such other obligations issued by the Issuer.

The Issuer has not reviewed any appraisal for the Project or any feasibility study or other financial analysis of the Project and has not undertaken to review or approve expenditures for the Project, to supervise any development or construction of the Project, or to obtain any financial statements of the Borrower.

The Issuer has not reviewed this Official Statement and is not responsible for any information contained herein, except for the information in this section and under the caption “NO LITIGATION – The Issuer” herein.

The City

General. Upon completion of the Project, the source of repayment for the Bonds is primarily Rent Payments under a Lease Agreement, as described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein. 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 is historically a major convention and tourist destination. The City’s population is approaching 900,000.

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

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

The City benefits from a highly skilled, educated and professional labor force. The San Francisco Unified School District (“SFUSD”), which is a separate legal entity from the City, operates 14 transitional kindergarten schools, 64 elementary schools serving grades transitional kindergarten (“TK”)-5, 8 schools serving grades TK-8, 13 middle schools serving grades 6-8, 15 high schools serving grades 9-12, 12 early education schools, and 14 active charter schools authorized by SFUSD. Higher education institutions

located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific’s School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the San Francisco Conservatory of Music and the Academy of Art University.

San Francisco International Airport (“SFO”), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, is owned and operated by the City, and is the principal commercial service airport for the Bay Area and one of the nation’s principal gateways for Pacific Rim traffic. The City is also served by the Bay Area Rapid Transit District (“BART,” an 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 San Francisco Municipal Transportation Agency (“SFMTA”), 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.

Government. San Francisco is a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California and is the only consolidated city and county in the State. Voters approved the City’s current Charter at the November 1995 election. The City is governed by a Board of Supervisors elected from 11 districts to serve 4-year terms, and a Mayor who serves as chief executive officer, elected citywide to a 4-year term. For significant recent developments relating to the City and in particular the operational and financial matters relating to the COVID-19 pandemic, see APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES – Recent Developments” attached hereto.

COVID-19 Pandemic. The financial and operating data contained in this Official Statement, including Appendix A, are the latest available. In some cases such data is for periods before the economic and other impacts of the COVID-19 pandemic. Accordingly, such data is not necessarily indicative of the current financial condition or future prospects of the City and the Bay Area. The COVID-19 pandemic has materially adversely impacted the financial condition of the City’s General Fund. See “RISK FACTORS – COVID-19 Pandemic” herein and APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES– Recent Developments” attached hereto.

Additional Information. 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” attached hereto. See also APPENDIX C “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2019” attached hereto.

The Borrower

833 Bryant, L.P. (the “Borrower”) is a California limited partnership. 833 Bryant LLC, a California limited liability company, is the Borrower’s general partner and Mercy Housing Calwest (“Mercy Calwest”), a California nonprofit public benefit corporation, is the Borrower’s sole member/manager. Mercy Calwest is wholly controlled by Mercy Housing, Inc. (“Mercy Housing”), a national affordable housing nonprofit headquartered in Denver, Colorado. See “THE PROJECT – Development and Funding Partners – *The Borrower, Mercy Calwest and Mercy Housing*” herein.

The Project and Permanent Supportive Affordable Housing

The Project will consist of 146-unit (including one manager's unit) residential units of supportive affordable housing and related improvements at 833 Bryant Street in the City. See "THE PROJECT" herein.

Homelessness remains a persistent and increasing challenge in San Francisco despite substantial investments in permanent supportive housing, rapid rehousing subsidies, and other interventions to end homelessness over the last 20 years. The 2019 biennial Point-In-Time ("PIT") homeless count identified 8,035 people experiencing homelessness in the City, 64% of whom are unsheltered. Per PIT count data, the total homeless population increased by 28% between 2019 and the first count in 2005. The PIT count survey included data on duration of homelessness, age and health status trends that indicate an increase in need for permanent supportive housing units for chronically homeless adults and seniors. Per the 2019 count, approximately 57% of the total population is over the age of 41, over 69% had at least one disabling health condition, and for 65%, the duration of their current episode of homelessness was over one year. These data reflect the population of people living on the streets are growing older and sicker, further underscoring the need for targeted supportive housing units in the City.

In 2016, the City created the Department of Homelessness and Supportive Housing ("HSH") with the aim of achieving a significant, sustained reduction in homelessness San Francisco. HSH's mission is to prevent homelessness and to make homelessness rare, brief, and one-time through the provision of coordinated, compassionate, and high-quality services. In HSH's 2019 Five-Year Strategic Framework Update, the department committed to prioritizing the highest need population for services and housing to reverse the trend in single adult homelessness shown in the 2019 PIT count and set a goal of reducing chronic homelessness in San Francisco by 50% by December 2022. The area in the City where the Project is located is home to 46% of the homeless population - the highest concentration in the City. The Project is ideally suited to create additional units to serve the chronically homeless population already living in the neighborhood near 833 Bryant Street.

Permanent Supportive Housing ("PSH") is the most effective way to end homelessness for people who are chronically homeless. Someone who is chronically homeless has been homeless for a year or more and has at least one disabling condition that impacts their ability to find and maintain housing. In Fiscal Year 2018-2019 less than 2% of San Francisco residents housed in PSH were evicted. This demonstrates a high level of residential stability for tenants in PSH.

The COVID-19 pandemic has exacerbated the existing public health crisis of homelessness and represents a significant health risk for people experiencing homelessness. People living in public spaces or in congregate settings, have limited access to preventive measures like frequent hand-washing, social distancing, and rapid access to health care. People living unsheltered are also significantly more likely to have chronic health conditions, one of the most significant risk factors with coronavirus.

The global pandemic has increased the awareness that housing is essential to the health and well-being of the City's most vulnerable, unsheltered residents. Permanent supportive housing not only ends homelessness but protects vulnerable people from the spread of COVID-19 better than temporary shelter. As the City continues its response to the COVID-19 pandemic, San Francisco plans to continue its investments on evidence-based practices that permanently end homelessness, including support for new permanent supportive housing projects.

The Bonds

Interest on the Bonds will be payable on April 1 and October 1 of each year, commencing October 1, 2020 (each an “Interest Payment Date”). Interest on the Bonds will be funded to October 1, 2022 and will be funded in part from a portion of the proceeds of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein. The Bonds are being issued as fully registered bonds and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). The Bonds will be issued in denominations of \$5,000 and any integral multiple thereof. DTC will act as securities depository of the Bonds. Individual purchases of Bonds will be made in book-entry form only. Payments of principal of and interest on the Bonds are to be made to purchasers by DTC through DTC Participants. Purchasers will not receive physical delivery of the Bonds purchased by them. See “THE BONDS” herein and APPENDIX G – “BOOK-ENTRY SYSTEM” attached hereto.

The Bonds are subject to optional, mandatory and extraordinary redemption prior to their stated maturities, as described herein. See “THE BONDS – Redemption” herein.

Designation as Social Bonds

The Issuer is designating the Bonds as “Social Bonds.” The Issuer has determined that the Project to be financed with the proceeds of the Bonds is a “Social Project,” based on the social benefits of addressing affordable housing within the City. The designation of the Bonds as Social Bonds is intended to generally comport with The Social Bond Principles promulgated by the International Capital Market Association (“ICMA”), updated as of June 2018. The term “Social Bonds” is neither defined in nor related to provisions in the Indenture. Owners of the Bonds do not have any security other than as provided in the Indenture and described herein, nor do Owners of the Bonds assume any specific project risk related to the Project funded thereby. “Social Projects” and “Social Bonds” are entirely self-designating labels lacking any objective guidelines or criteria. ICMA is a European-based entity with some members from the United States. The Issuer assumes no obligation to ensure that the Project financed with proceeds of the Bonds complies with any legal or other standards or principles that may relate to “Social Projects” or that the Bonds comply with any legal or other standards or principles that may relate to “Social Bonds.” The designation of the Bonds as Social Bonds does not entitle the holders of such obligations to any special treatment under the Internal Revenue Code of 1986, as amended.

Security for the Bonds During Construction of the Project

The Bonds are special limited obligations of the Issuer secured by the Trust Estate pledged to the Bonds under the Indenture. Payment of the principal of and interest on the Bonds will be made primarily from loan payments under a Loan Agreement, dated as of July 1, 2020 (the “Loan Agreement”), by and between the Issuer and the Borrower. From the date of delivery of the Bonds to the initial purchaser thereof (the “Date of Delivery”) until the execution, delivery and commencement of the Lease Agreement (expected in the fall 2021), the Bonds will be secured by funded interest and an Irrevocable Standby Letter of Credit to be delivered by Citibank, N.A. (the “Letter of Credit Provider”) in connection with the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE STANDBY LETTER OF CREDIT” herein and APPENDIX H – “INFORMATION REGARDING THE LETTER OF CREDIT PROVIDER” attached hereto.

The Bonds are further secured during the construction period for the Project and thereafter while the Bonds are outstanding by a Bond Promissory Note and First Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (“Leasehold Deed of Trust”) made by the Borrower in favor of the Issuer and assigned to the Trustee, as described herein. See “SOURCES OF SECURITY AND PAYMENT FOR THE BONDS” herein.

The Bonds are subject to redemption in whole if the Lease Agreement (defined herein) is not delivered by the Lease Delivery Deadline (defined herein). See “THE BONDS – Redemption” herein.

Security for the Bonds Following Construction of the Project

The Bonds are special limited obligations of the Issuer secured by the Trust Estate pledged to the Bonds under the Indenture. Payment of the principal of and interest on the Bonds will be made primarily from loan payments under the Loan Agreement. In fulfillment of its obligations under the Loan Agreement, the Borrower will assign to the Trustee all its right, title and interest in and to the Lease Agreement between the City and the Borrower (the “Lease Agreement”) to be executed and delivered by the City upon satisfaction of certain conditions relating to Project, as described herein.

The City will be required under the Lease Agreement, when executed and delivered upon satisfaction of certain conditions relating to the Project, as described herein, to make Rent Payments each year from any source of legally available funds, in an amount sufficient to pay the annual principal of and interest on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein and APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” attached hereto. The City’s obligation to make Rent Payments is subject to abatement, as described herein. The City has covenanted in the Lease Agreement to take such action as may be necessary to include and maintain all Rent Payments in its budget and to make the necessary appropriations therefor, subject to such abatement. See “SOURCES OF SECURITY AND PAYMENT FOR THE BONDS – Lease Agreement – *Abatement*” and “RISK FACTORS – Abatement” herein.

The Bonds are further secured by the Bond Promissory Note and the Leasehold Deed of Trust, as described herein. See “SOURCES OF SECURITY AND PAYMENT FOR THE BONDS – Leasehold Deed of Trust” herein.

In connection with the Project, the Borrower will enter into a Regulatory Agreement (defined herein), that sets forth certain income restrictions for residents of the apartment units. See “SOURCES OF SECURITY AND PAYMENT FOR THE BONDS – Regulatory Agreement” herein.

No Reserve Fund

The Issuer is not funding a reserve fund for the Bonds.

Limited Obligation

The Bonds are limited obligations of the Issuer, payable solely from the funds and moneys pledged and assigned under the Indenture. None of the Issuer, the State, or any political subdivision thereof (except the Issuer, to the limited extent set forth in the Indenture) or the City shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever except as set forth herein, and none of the Bonds or any of the Issuer’s agreements or obligations shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any

of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The Issuer has no taxing power.

Continuing Disclosure

The City and the Borrower have each covenanted for the benefit of the Bondholders to provide certain financial information and operating data relating to the City and the Borrower and notices of enumerated events under Rule 15c2-12 of the U.S. Securities and Exchange Commission. See “CONTINUING DISCLOSURE” herein and APPENDIX E – “FORMS OF CONTINUING DISCLOSURE CERTIFICATES” attached hereto.

Availability of Legal Documents

The summaries and references contained herein with respect to the Bonds, the Indenture, the Loan Agreement, the Ground Lease, the Lease Agreement, the Sublease Agreement, the Bond Promissory Note, the Leasehold Deed of Trust, the Regulatory Agreement, statutes, agreements and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the documents described herein are available from the Borrower at 1256 Market Street San Francisco, California 94102, Attention: Associate Director.

THE PROJECT

General

General Description of Project. The Project is a planned PSH development that will provide 145 studio units for chronically homeless individuals in the City. The site is in the central South of Market Area of the City between 6th and 7th Streets on 833 Bryant Street, which is across from the Hall of Justice. The site is central to public transit, grocery stores, and community parks. In addition to the housing units on the site there will also be located one manager’s unit, a small commercial storefront, community space for residents, and office space. Only the housing units are part of the Project to be financed with the proceeds of the Bonds. The overall residential square footage is approximately 61,800 square feet within 6 floors. The Project is designed to achieve GreenPoint Rating Silver assigned by Build It Green, which administers third party environmental certifications for housing design in California.

The Project is fully entitled and currently under construction. The Project is 36% complete and completion is scheduled in the fall of 2021. The Borrower expects full occupancy of the Project by the end of that year. Currently there are no material project delays expected as a result of the COVID-19 pandemic or recent civil unrest. However, no assurance can be provided that future events will not materially delay the Project. See “RISK FACTORS” herein.

Innovative Modular Housing. The Borrower believes that the Project will be the City’s first 100% supportive affordable development built with modular housing from Factory_OS that will be assembled entirely off site at the Factory_OS facility in Vallejo, California under a 100% union contract. Modular construction is being used to assist in expediting the development process and provides significant cost savings over conventional construction. Construction for the Project consists of 1 floor of Type I construction, typically found in high-rise buildings with fire resistive and non-combustible materials, and 5 floors of wood construction. Through this innovative structure, 833 Bryant is delivering housing at approximately \$376,410 per unit, excluding the cost of land.

Construction Contract. Cahill Contractors LLC (“Cahill”), a privately held limited liability company, is serving as the general contractor for the Project. See “– Key Project Team Members – Construction Contract” below. Cahill is performing work on the Project under an American Institute of Architects (AIA) A102 guaranteed maximum price contract, where the basis of payment is the cost of the work plus a fee. The current maximum price under all change orders to date is \$38,887,217.

Environmental Review and Soils Removal. The Project and remainder of the site was exempt from CEQA under State law. A Phase I Environmental Site Assessment and Subsurface Investigation Report were prepared prior to the site’s purchase by SFHAF. Federal Class I soils (having slight limitations that restrict their use) and State Class II soils (having moderate limitations that restrict the choice of plants or that require moderate conservation practices) were found on the site. The needed level of safe removal and disposal of those soils has been reviewed and approved by the San Francisco Department of Public Health (“SFPDH”) pursuant to San Francisco Health Code Article 22A (the “Maher Ordinance”). SFPDH approved a site mitigation plan based on their review and the Borrower will be required to install a vapor barrier to mitigate release from volatile compounds.

Project Construction Status. Construction of the modular units began in January 2020 and is expected to be completed by September 2020. As of the date of this Official Statement 23 of 87 modular volumes (which include 2 housing units and the corridor joining them, as well as the building’s stairwell, trash room, etc.) have been completed and are in storage on sites near the Factory_OS facility on Mare Island and work is ongoing with an additional 33 units in process. Factory_OS did experience a 20-30% reduction in factory floor workforce during the shelter-in-place orders. While units are underway at the factory subsurface infrastructure, underground utilities, foundation mat slab and the post tension deck will be completed on site. On site construction for the Project began in March 2020. Construction (including modular unit production) is approximately 36% complete and a Temporary Certificate of Occupancy (“TCO”) for the overall project is expected by September 8, 2021. Cahill and Factory_OS have confirmed to the Borrower that despite COVID-19 the Project is expected to be completed on schedule.

Project Cost. The total development cost for the overall project at 833 Bryant Street is approximately \$55 million, funded with a mix of philanthropic funds, Low Income Housing Tax Credits (“LIHTC”) and proceeds from the Bonds. The Homes for the Homeless Fund, through philanthropic funding provided by Tipping Point Community, covered the 833 Bryant Street’s \$8.2 million land cost. Proceeds from the Bonds will only finance the residential units that comprise the Project (plus a portion of capitalized interest). The following table sets forth the estimated sources and uses of funds for the overall project:

833 Bryant Street - Pro Forma Budget

<u>Sources of Funds</u>	<u>Amount</u>
Bond Proceeds	\$33,282,714
Tax Credit Equity	21,673,100
Total	\$54,955,814
<u>Uses of Funds</u>	<u>Amount</u>
Acquisition Related Costs	\$ 1,235,429
Construction Hard Costs	38,887,217
Financing Costs, Fees, and Capitalized Interest	5,185,109
Developer Fee	1,700,000
Capitalized Subsidy Reserve	450,727
Other Soft Costs	7,497,332
Total	\$54,955,814

Development and Funding Partners

The Borrower, Mercy Calwest and Mercy Housing. 833 Bryant, L.P., the Borrower, is a California limited partnership. 833 Bryant LLC, a California limited liability company, is the Borrower's general partner and Mercy Housing Calwest ("Mercy Calwest"), a California nonprofit public benefit corporation, is the Borrower's sole member/manager. Mercy Calwest is wholly controlled by Mercy Housing, Inc. ("Mercy Housing"), a national affordable housing nonprofit headquartered in Denver, Colorado. Citibank, N.A., as tax credit investor, will have an equity interest in the overall project. To accomplish this, Citibank, N.A. will become a 99.99% limited partner owner of the Borrower on the delivery date of the Bonds. Mercy Housing will remain as the controlling member. Citibank, N.A.'s rights under the partnership agreement with the Borrower align with the City's right to remove Mercy Housing in the event of abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rental Abatement" herein.

Established by the Sisters of Mercy in 1981, and in operation in 41 states, Mercy Housing has experience developing, preserving, managing, and financing affordable housing, with regional offices currently in San Francisco, Atlanta, Chicago, Denver and Seattle. Mercy Housing subsidiaries serve tens of thousands of people with low incomes, including families, seniors, veterans, people who have experienced homelessness, and people with disabilities. Mercy Housing has extensive experience developing permanent supportive, affordable housing using LIHTC and conducting all aspects of asset management required for tax credit financing.

California Housing Partnership Corporation. The California Housing Partnership Corporation was created by the California Legislature in 1988 as a private nonprofit organization with a public mission and is serving as the financial consultant to Mercy Housing on behalf of the Borrower in connection with the Project. The California Housing Partnership Corporation through LIHTC syndication, tax-exempt bond financing, and State and local affordable housing programs, has helped hundreds of nonprofit and local government partners leverage \$18 billion to create 70,000 affordable homes over the past 30 years in California.

The San Francisco Housing Accelerator Fund / The Homes for the Homeless Fund. The San Francisco Housing Accelerator Fund ("SFHAF") is a 501(c)(3) nonprofit organization established for the purpose of bringing innovative financial tools to affordable housing production and preservation. It is the sole member of its wholly owned subsidiary, the Homes for the Homeless Fund, which is a pool of \$50 million in flexible, private dollars funded through a philanthropic contribution from Tipping Point Community dedicated to producing more housing for chronically homeless individuals in the City. SFHAF and Tipping Point Community's purpose for the Homes for the Homeless Fund is to produce a supportive housing model that is more cost-effective and quicker than the norm, and 833 Bryant is its inaugural project. A second subsidiary of SFHAF, San Francisco Homes for the Homeless No. 1 LLC, a California limited liability company (also with SFHAF as its sole member), is the fee owner of the Project site (the "Landowner"). The Project site will be leased by the Landowner to the Borrower pursuant to the Ground Lease (described herein).

Key Project Team Members

Developer. Mercy Housing is serving as the developer for the Project. As described above, Mercy Housing has experience developing, preserving, managing, and financing affordable housing throughout the country. Mercy Housing has developed over 50 multifamily (with the majority being mixed use) properties in San Francisco over the past 35 years. Mercy Housing's experience includes many unique projects, combining the HUD 202 program with tax credits and creating independent living housing

opportunities for elders living in long-term care facilities. Mercy Housing's most senior housing development staff comprised of Barbara Gualco, Ramie Dare, Sharon Christen and Tim Dunn have over 80 combined years of affordable housing development experience in San Francisco. Sharon Christen (833 Bryant's project manager) led the Mission Creek Senior Community development, which was the first affordable senior development in San Francisco that worked with the City to refer frail, homeless seniors exiting long-term care and the development of Bill Sorro Community (named one of the 10 best San Francisco buildings of the 2000 decade by the San Francisco Chronicle).

Doug Shoemaker, President, leads Mercy Housing California ("MHC"), the largest regional affiliate of Mercy Housing, Inc. Mr. Shoemaker has been with MHC since 2011 and is responsible for overseeing all aspects of MHC's work in the State. Prior to joining Mercy Housing, he served as the Director of the San Francisco Mayor's Office of Housing and Community Development under Mayors Gavin Newsom and Edwin Lee. During his 25 years in the affordable housing field, Mr. Shoemaker has participated in the entitlement of over 10,000 homes as either a developer or a key public agency negotiator on development agreements. During his time at Mercy Housing, the organization has increased its development pipeline to include over 40 projects and 4,000 units in active development with a total investment cost of over \$2 billion.

Barbara Gualco, Regional Director of Development, serves as MHC's Director of Real Estate Development. Barbara has over 30 years of experience in affordable housing development and has been with MHC since its founding. Ms. Gualco has directly worked on or supervised the majority of the San Francisco Bay Area portfolio of Mercy Housing projects. She is particularly adept at structuring complex deals serving special needs populations. With the support of two Associate Directors, Ms. Gualco is currently supervising the development of 20 projects in the San Francisco Bay Area.

Sharon Christen, Associate Director of Permanent Supportive Housing, has more than 20 years of affordable housing experience, mostly for projects in San Francisco, specifically in the South of Market neighborhood, serving homeless adults and seniors. Ms. Christen's past projects include Hotel Isabel, Howard Street Senior Housing, Mission Creek Senior Community, Hotel Essex, Edith Witt Senior Community, Vera Hale Senior Housing, and Bill Sorro Community. These projects all include a supportive or formerly homeless component and represent nearly 800 units of new construction and acquisition/rehabilitation

Construction Contractor. Cahill Contractors LLC is a majority family-owned general contractor with a portfolio that includes multi-family residential, education, hospitality, and other commercial construction. With offices in San Francisco and Oakland, Cahill works throughout the Bay Area. Now in its fourth generation of family leadership, Cahill and its predecessor entities have been building lasting relationships and quality structures with integrity since 1911. In addition to its substantial experience in affordable housing construction, Cahill completed its first modular project in 2015 and is currently working on several modular affordable housing projects around the Bay Area. Cahill's affordable housing experience in the San Francisco Bay Area includes: Coliseum Connections (Modular, 110 units, completed in 2019), Parcel O (Type V over I, 112 units, completed in 2019), Eddy & Taylor Family Apartments (Type I, 113 units, completed in 2019), Rene Cazenave Apartments (Type I, 120 units, completed in 2013), Drs. Julian & Raye Richardson Apartments (Type V over I, 120 units, completed in 2011).

Construction Manager. Regent Construction Management ("RCM"), led by Chris Rivera, is located in the City and primarily provides construction management services for publicly funded affordable, multifamily mixed use Type I, III, and V construction developments, primarily in San Francisco. Since RCM's inception in 2007, the firm has worked with Mercy Housing. Prior to forming RCM, Mr. Rivera worked at Cahill Contractors, Inc. for 11 years as a senior project manager, working on

civic projects (including the San Francisco Jewish Community Center and the San Francisco Arch Diocesan Offices) in addition to affordable housing. Mr. Rivera has worked with Mercy Housing on several mixed use, publicly funded, affordable housing developments.

Architect. David Baker Architects, Inc. (“DBA”) has extensive Bay Area affordable housing expertise, having completed more than 75 multifamily developments including more than 13,000 homes, with more than 7,500 of those being affordable homes built as multifamily housing Type I, III, and V construction. They are the local experts in modular housing design and construction, having completed design on four modular developments and through principal David Baker’s work with Factory_OS as design architect early in the factory’s development.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are summarized as follows.

Sources:	
Principal Amount	\$26,985,000.00
Premium	6,297,714.05
Borrower Contribution	2,198,458.57
Total Sources	\$35,481,172.62
Uses:	
Project Fund	\$32,126,827.91
Capitalized Interest Account ⁽¹⁾	2,496,969.14
Costs of Issuance ⁽²⁾	857,375.57
Total Uses	\$35,481,172.62

⁽¹⁾ Represents interest accruing on the Bonds to October 1, 2022, a portion of which, in the amount of \$1,155,886.14, will be funded from the proceeds of the Bonds and a portion of which, in the amount of \$1,341,083.00, will be funded from the Borrower contribution.

⁽²⁾ Costs of Issuance include Underwriter’s fee, certain legal fees and expenses, Trustee fees and certain other costs related to the issuance of the Bonds.

[Remainder of page intentionally left blank.]

DEBT SERVICE REQUIREMENTS

The following table shows the semi-annual debt service requirements on the Bonds, assuming no extraordinary or optional redemptions.

Payment Date	Principal	Interest	Total
10/1/2020	-	\$ 197,969 ⁽¹⁾	\$ 197,969
4/1/2021	-	574,750 ⁽¹⁾	574,750
10/1/2021	-	574,750 ⁽¹⁾	574,750
4/1/2022	-	574,750 ⁽¹⁾	574,750
10/1/2022	-	574,750 ⁽¹⁾	574,750
4/1/2023	\$ 500,000	574,750	1,074,750
10/1/2023	-	562,250	562,250
4/1/2024	510,000	562,250	1,072,250
10/1/2024	-	549,500	549,500
4/1/2025	545,000	549,500	1,094,500
10/1/2025	-	535,875	535,875
4/1/2026	570,000	535,875	1,105,875
10/1/2026	-	521,625	521,625
4/1/2027	600,000	521,625	1,121,625
10/1/2027	-	506,625	506,625
4/1/2028	630,000	506,625	1,136,625
10/1/2028	-	490,875	490,875
4/1/2029	660,000	490,875	1,150,875
10/1/2029	-	474,375	474,375
4/1/2030	695,000	474,375	1,169,375
10/1/2030	-	457,000	457,000
4/1/2031	730,000	457,000	1,187,000
10/1/2031	-	438,750	438,750
4/1/2032	765,000	438,750	1,203,750
10/1/2032	-	419,625	419,625
4/1/2033	805,000	419,625	1,224,625
10/1/2033	-	399,500	399,500
4/1/2034	845,000	399,500	1,244,500
10/1/2034	-	382,600	382,600
4/1/2035	875,000	382,600	1,257,600
10/1/2035	-	365,100	365,100
4/1/2036	910,000	365,100	1,275,100
10/1/2036	-	346,900	346,900
4/1/2037	950,000	346,900	1,296,900
10/1/2037	-	327,900	327,900
4/1/2038	985,000	327,900	1,312,900
10/1/2038	-	308,200	308,200
4/1/2039	1,025,000	308,200	1,333,200

Payment Date	Principal	Interest	Total
10/1/2039	-	287,700	287,700
4/1/2040	1,065,000	287,700	1,352,700
10/1/2040	-	266,400	266,400
4/1/2041	1,110,000	266,400	1,376,400
10/1/2041	-	244,200	244,200
4/1/2042	1,155,000	244,200	1,399,200
10/1/2042	-	221,100	221,100
4/1/2043	1,200,000	221,100	1,421,100
10/1/2043	-	197,100	197,100
4/1/2044	1,245,000	197,100	1,442,100
10/1/2044	-	172,200	172,200
4/1/2045	1,295,000	172,200	1,467,200
10/1/2045	-	146,300	146,300
4/1/2046	1,350,000	146,300	1,496,300
10/1/2046	-	119,300	119,300
4/1/2047	1,405,000	119,300	1,524,300
10/1/2047	-	91,200	91,200
4/1/2048	1,460,000	91,200	1,551,200
10/1/2048	-	62,000	62,000
4/1/2049	1,520,000	62,000	1,582,000
10/1/2049	-	31,600	31,600
4/1/2050	1,580,000	31,600	1,611,600
TOTAL	\$26,985,000	\$20,923,319	\$47,908,319

⁽¹⁾ Represents funded interest accruing on the Bonds to October 1, 2022.

THE BONDS

General

The Bonds will be dated the date of their delivery and mature on April 1 in the years and in the amounts shown on the inside cover page of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30 day months and will be payable in arrears on each Interest Payment Date. The principal of and interest on the Bonds shall be payable in lawful money of the United States of America upon surrender at the Principal Corporate Trust Office. So long as the registered owner of the Bonds is Cede & Co., payment of principal and redemption shall be made without presentment. Under the Indenture, the principal of and interest on the Bonds shall be payable in lawful money of the United States of America. The principal of the Bonds shall be payable at the corporate trust operations office of the Trustee in San Francisco, California, or at the duly designated office of any successor Trustee or paying agents appointed under the Indenture. Notwithstanding the foregoing, for so long as the Bonds are held under the Book Entry System, transfers of beneficial ownership will be effected pursuant to rules and procedures established by The Depository Trust Company, New York, New York ("DTC"). Payment of interest on any Bond shall be made to such person who is the Holder thereof on the Record Date and shall be paid by wire, or by check or draft mailed to such person who is the Holder on the Record Date at his address as it appears on the registration books of the Issuer maintained by the Trustee or at such other address as is furnished to the Trustee in writing by such Holder. "Record

Date” means the fifteenth day of the calendar month next preceding the calendar month in which occurs an Interest Payment Date.

Book-Entry Only

The Bonds are being issued as fully registered bonds and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of DTC. The Bonds will be issued in denominations of \$5,000 and any integral multiple thereof. DTC will act as securities depository of the Bonds. Individual purchases of Bonds will be made in book-entry form only. Payments of principal of and interest on the Bonds are to be made to purchasers by DTC through DTC Participants. Purchasers will not receive physical delivery of the Bonds purchased by them. APPENDIX G – “BOOK-ENTRY SYSTEM” attached hereto.

Redemption

Optional Redemption. The Bonds maturing on or after April 1, 2033, are subject to redemption prior to their respective stated maturity, at the option of the Issuer upon the direction of the Borrower, from any source of available funds, as a whole or in part on any date specified by the Borrower on or after April 1, 2032 at a redemption price equal to the principal amount of Bonds called for redemption, together with interest accrued thereon if, any, to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The \$6,005,000 Term Bond maturing on April 1, 2045, is also subject to mandatory sinking fund redemption prior to their stated maturity, from amounts on deposit in the Bond Fund, in part, by lot, at a redemption price equal to the principal amount thereof, together with accrued interest thereon, if any, to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (April 1)	Principal Amount To be Redeemed
2041	\$1,110,000
2042	1,155,000
2043	1,200,000
2044	1,245,000
2045 [†]	1,295,000

[†] Final maturity.

The \$7,315,000 Term Bond maturing on April 1, 2050, is also subject to mandatory sinking fund redemption prior to their stated maturity, from amounts on deposit in the Bond Fund, in part, by lot, at a redemption price equal to the principal amount thereof, together with accrued interest thereon, if any, to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (April 1)	Principal Amount To be Redeemed
2046	\$1,350,000
2047	1,405,000
2048	1,460,000
2049	1,520,000
2050 [†]	1,580,000

[†] Final maturity.

Extraordinary Mandatory Redemption – Extraordinary Event Proceeds Fund (Insurance, Condemnation). The Bonds are subject to mandatory redemption prior to their stated maturity, from amounts on deposit in the Extraordinary Event Proceeds Fund to be applied for such purpose as a result of fire or other casualty or as a result of condemnation or acquisition of the Project for public use, in whole or in part on any date on or after October 1, 2022, at a redemption price equal to the principal amount of Bonds called for redemption, together with interest accrued thereon, if any, to the date fixed for redemption, without premium.

Extraordinary Mandatory Redemption from Failure to Deliver Lease. The Bonds are subject to mandatory redemption in whole prior to their stated maturity, on the 30th day following the Lease Delivery Deadline upon failure by the Trustee to receive delivery of the Lease Delivery Notice on or prior to the Lease Delivery Deadline, at a redemption price equal to the principal amount of Bonds called for redemption, together with interest accrued thereon if, any, to the date fixed for redemption, plus a premium reflecting any initial issuance premium to be amortized between October 1, 2022 and the first optional redemption date of April 1, 2032 as set forth on the schedule below, on the earliest date for which notice of redemption can reasonably be given in accordance with the Indenture.

Maturity Date (April 1)	Redemption Price
2023	102.361%
2024	106.997
2025	111.378
2026	115.367
2027	119.064
2028	122.675
2029	125.901
2030	128.833
2031	131.849
2032	134.234
2033	132.755
2034	121.073
2035	120.098
2036	119.710
2037	119.324
2038	118.939
2039	118.556
2040	118.174
2045	116.286
2050	115.819

“Lease Delivery Notice” means a written notice from the Borrower and the City to the Trustee, substantially in the form attached to the Indenture, providing notice that (i) the Lease Agreement attached to the notice is a true, correct and complete copy of the same, (ii) the Lease Agreement conforms in all material respects to the form of Lease Agreement appended to the Indenture, (iii) the effective date of the Lease Agreement is as of the date provided in the notice, and (iv) the Lease Agreement is in full effect.

“Lease Delivery Deadline” means initially September 1, 2022. The Lease Delivery Deadline may be extended upon Borrower’s provision to the Trustee for deposit into the Capitalized Interest Account under the Indenture an amount sufficient for the funds in the Capitalized Interest Account to pay all interest, and scheduled principal, if any, due on the Bonds through the thirtieth day following the extended Lease Delivery Deadline (or if such thirtieth day is not a Business Day, to the next Business Day) together with an amendment to the Letter of Credit extending the expiration date to the Letter of Credit to a date not less than 45 days following the extended Lease Delivery Deadline.

Partial Redemption. Upon surrender of any Bond for redemption in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the holder thereof a new Bond or Bonds of the same series and the same maturity, of Authorized Denominations, in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered; provided, however, that while a Book Entry System is in effect, the Bonds held by the Securities Depository need not be surrendered for a partial redemption.

Notice of Redemption. The Trustee shall send notice of each redemption to each Bondholder by first class mail (i) in the case of optional or mandatory sinking fund redemption, no more than 60 days and at least 20 days before each redemption and, (ii) in the case of a mandatory redemption pursuant to the Indenture, at least 20 days before each redemption. Each redemption notice shall identify the Bonds or portions thereof to be redeemed and shall state (i) the date of the said notice, (ii) the original date of execution and delivery of the Bonds to be redeemed, (iii) the rate of interest borne by the Bonds to be redeemed, (iv) the date of maturity of the Bonds, (v) the numbers and CUSIP numbers of the Bonds to be redeemed, (vi) the type of redemption and the redemption date (and, if accrued interest will not be paid on the redemption date, the date it shall be paid), (vii) the redemption price, (viii) that the Bonds called for redemption must be surrendered to the Trustee at its designated corporate trust office to collect the redemption price, (ix) the address at which the Bonds must be surrendered, (x) that interest on the Bonds called for redemption ceases to accrue on the redemption date provided sufficient funds for the redemption are on deposit with the Trustee on the redemption date, and (xi) such additional descriptive information identifying the Bonds to be redeemed as may be deemed appropriate by the Trustee to effect the redemption. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds. A copy of each notice of redemption also shall be sent by the Trustee to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") in such form as required by EMMA.

Conditional Notice. Any redemption notice delivered pursuant to the Indenture may specify that redemption of the Bonds on the proposed redemption date is conditioned upon receipt by the Trustee of sufficient funds on such date to effect such redemption, or upon such other conditions as may be specified in the notice. If at the time the Trustee gives notice of optional redemption pursuant to the Indenture there shall not have been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice may (and upon the direction of the Borrower, shall) state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee on or prior to the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Selection of Bonds for Redemption. Except in the case of a redemption from extraordinary event proceeds, whenever provision is made in the Indenture for the redemption of less than all of the Bonds or any given portion thereof, the Trustee shall select the Bonds to be redeemed, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, by lot; provided, however that in such instances as provided for herein where the Borrower is to specify the amount or maturities of Bonds to be redeemed the Trustee shall redeem Bonds in accordance with any such specification (or, if the Borrower fails to so specify, as required under such provision).

With respect to redemption from amounts on deposit in the Extraordinary Event Proceeds Fund, if less than all of the Bonds are called for redemption the Trustee shall redeem Bonds of each maturity and credit each sinking fund payment as nearly as possible to *pro rata* in \$5,000 increments. If less than all of the Bonds of any given maturity are called for redemption, the portions of such Bonds of a given maturity to be redeemed shall be determined by lot in \$5,000 increments.

Purchase of Bonds in Lieu of Redemption

If the Bonds are subject to extraordinary mandatory redemption under the Indenture as described under the caption “THE BONDS – Redemption – *Extraordinary Mandatory Redemption from Failure to Deliver Lease*” herein, the Bonds may be purchased by the Trustee (for the account of the Borrower or the Letter of Credit Provider or their respective designee, as directed by such party) on the date that would be the redemption date. Such date will be treated as a mandatory tender date for purposes of the Indenture, at the direction of the Letter of Credit Provider or the Borrower, with the prior written consent of the Letter of Credit Provider (which direction shall specify that such purchase is pursuant to this Section and shall be given no later than 5:00 p.m., New York City time two Business Days prior) on such redemption date, at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date.

If the Trustee is so directed to purchase Bonds in lieu of redemption, no notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required hereunder) will be required, and the Trustee will be authorized to apply to such purpose the funds which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased. APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” attached hereto.

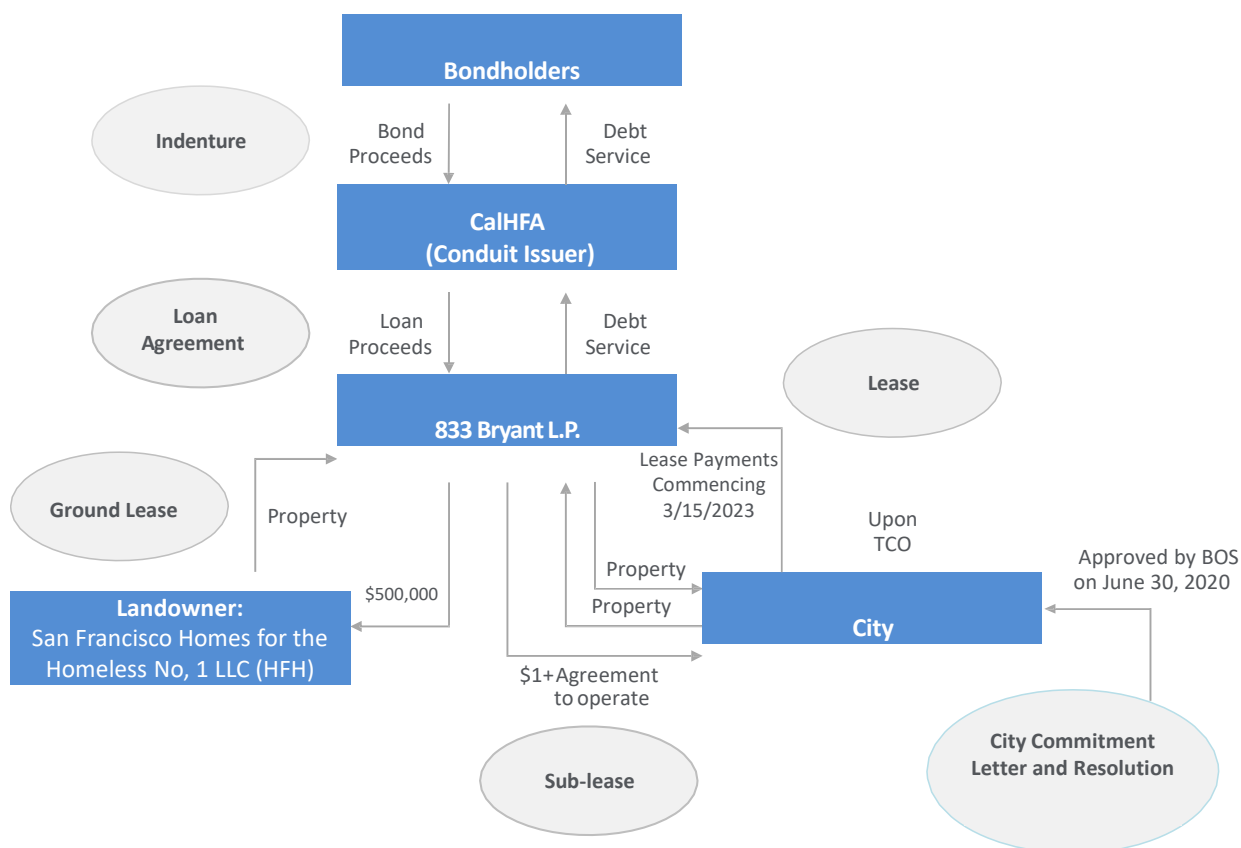
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are special limited obligations of the Issuer secured by the Trust Estate pledged to the Bonds under the Indenture. Payment of the principal of and interest on the Bonds will be made primarily from loan payments under the Loan Agreement. In fulfillment of its obligations under the Loan Agreement, the Borrower will assign to the Trustee all its right title and interest in and to the Lease Agreement between the City and the Borrower to be executed and delivered by the City as further described below.

[Remainder of page intentionally left blank.]

The following diagram provides a broad overview of the financing structure relating to the Bonds:



The City will be required under the Lease Agreement when executed and delivered to make Rent Payments from any source of legally available funds in an amount equal to 1.15 times the scheduled payments of principal of and interest on the Bonds. The City expects to execute and deliver the Lease Agreement and the Sublease Agreement by and between the Borrower and the City (the “Sublease Agreement”) in fall 2021, upon satisfaction of certain conditions relating to Project, as described below. The City will covenant in the Lease Agreement to take such action as may be necessary to include and maintain all Rent Payments in its budget and to make the necessary appropriations therefor, subject to such abatement. See “RISK FACTORS – Abatement” herein.

Limited Obligation

The Bonds are limited obligations of the Issuer, payable solely from the funds and moneys pledged and assigned under the Indenture. None of the Issuer, the State, or any political subdivision thereof (except the Issuer, to the limited extent set forth in the Indenture) or the City shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever except as set forth herein, and none of the Bonds or any of the Issuer’s agreements or obligations shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The Issuer has no taxing power.

No Additional Parity or Subordinate Indebtedness

The Issuer may not issue additional indebtedness payable from the Trust Estate on parity with or subordinate to the Bonds.

Flow of Funds from Revenue Fund Under Indenture

The Trustee shall deposit into the Revenue Fund (i) all Rent Payments received by the Trustee pursuant to the Lease Agreement; (ii) any other amounts received from the Borrower and designated by the Borrower in writing for deposit into the Revenue Fund; and (iii) all investment earnings, except as otherwise expressly provided herein. Two Business Days prior to each April 1 Bond Payment Date the Trustee shall make the following transfers in the following order of priority:

- (a) to the Fees Fund, an amount equal to the Trustee Fee, the Issuer Fee, and the Rebate Analyst Fee;
- (b) to the Bond Fund, an amount equal to the interest due on the Bonds on the next Bond Payment Date (subject to pro rata adjustment for deposits prior to the first Bond Payment Date);
- (c) to the Bond Fund, an amount equal to the principal and mandatory sinking payments due on the Bonds on the next Bond Payment Date; and
- (d) to the Rebate Fund, the amount, if any, the Trustee is to deposit therein pursuant to the Indenture;

Two Business Days prior to each October 1 Bond Payment Date the Trustee shall make the following transfers in the following order of priority:

- (a) to the Bond Fund, an amount equal to the interest due on the Bonds on the next Bond Payment Date; and
- (b) to the Rebate Fund, the amount, if any, the Trustee is to deposit therein pursuant to the Indenture.

No deposit required for the Funds referenced above need be made if the amount on deposit in the applicable Fund and available for the purposes set forth in the Indenture is sufficient to pay the obligations payable from such Fund in a timely manner.

Prior to the Lease Delivery Notice, all investment earnings received by the Trustee shall be deposited in the Project Fund. Following the Lease Delivery Notice, all investment earnings received by the Trustee shall be deposited in the Revenue Fund.

Standby Letter of Credit During Construction Period

From the Date of Delivery until Lease Delivery Notice, the Bonds will be secured by capitalized interest funded from Bond proceeds and an Irrevocable Standby Letter of Credit to be delivered by the Letter of Credit Provider in an amount equal to \$31,991,028.45 in connection with the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE STANDBY LETTER OF CREDIT” herein.

Loan Agreement

Payment of the principal of and interest on the Bonds will be made primarily from loan payments under the Loan Agreement. In fulfillment of its obligations under the Loan Agreement, the Borrower will assign to the Trustee all its right title and interest in and to the Lease Agreement between the City and the Borrower to be executed and delivered by the City upon satisfaction of certain conditions relating to Project, as described herein.

Lease-Leaseback; Annual Appropriation

Ground Lease. San Francisco Homes for the Homeless No. 1 LLC, a California limited liability company, the Landowner, has entered into that Ground Lease, dated March 1, 2020 for an initial term of 57 years (with one allowable extension term of 42 years) with the Borrower. As long as the Bonds are outstanding under the Indenture, the Ground Lease will not terminate. The Ground Lease provides that the Borrower may enter into a lease-leaseback arrangement with the City for the purpose of financing the Project.

City Commitment. On June 30, 2020, the Board of Supervisors of the City adopted Resolution No. 200615, which was approved by the Mayor of the City on July 3, 2020 (the “Commitment Resolution”), authorizing the City to execute a commitment letter to enter into the Lease Agreement and Sublease Agreement, contingent only on the Borrower’s satisfaction of conditions precedent as follows: (i) Borrower’s securing a Temporary Certificate of Occupancy from the City’s Department of Building Inspection for the Project and other improvements on the site; (ii) the Director of the City’s Department of Homelessness and Supportive Housing’s (“HSH’s”) determination that placement of tenants is ready to commence through referrals by HSH through the City’s Coordinated Entry System; and (iii) the Director of HSH’s determination that the annual rent has been adjusted to reflect the Project’s financing in an amount not to exceed \$2,014,800 per year.

In addition, the City and the San Francisco Homes for the Homeless No. 1 LLC, the land owner, have agreed to enter into a conveyance agreement, pursuant to which the City will have the right to acquire the fee interest in the 833 Bryant Street property for a nominal amount upon termination of the Lease Agreement and Sublease Agreement.

Prior to delivery of the Bonds, the City will execute and deliver the commitment letter to the Borrower consistent with the terms of the Commitment Resolution. The City expects to execute and deliver the Lease Agreement and the Sublease Agreement in fall 2021. However, if the conditions described in the Commitment Resolution are not satisfied by Lease Delivery Deadline, as the same may be extended in accordance with the Indenture, the Trustee shall draw on the Letter of Credit and the Bonds shall be subject to a full mandatory redemption in the amount outstanding plus premium. See “THE BONDS – Redemption – *Extraordinary Mandatory Redemption from Failure to Deliver Lease*” herein.

Lease Agreement; Assignment of Rent Payments. The Borrower and the City have agreed on the form of the Lease Agreement, which has been approved in form by the Board of Supervisors of the City. Under the Lease Agreement, the City covenants to take such action as may be necessary to include each Rent Payment in its annual budget and to make the necessary appropriations for each annual Rent Payment, subject to abatement. See “– Covenant to Budget and Appropriate” below. The Borrower will assign under the Lease Agreement all of its right, title and interest in Rent Payments necessary to pay debt service then due and payable under the Bonds and related fees to the Issuer to secure the Borrower’s obligations under the Loan Agreement and the Issuer will assign all of its right, title and interest in such payments to the Trustee to secure the Bonds, and the City will acknowledge such assignments.

Accordingly, so long as any Bonds are outstanding, the City will make such payments (in an amount equal to any debt service payments then due and payable under the Bonds) by remitting such amounts directly to the Trustee.

City Covenant to Budget and Appropriate. The City covenants in the Lease Agreement to take such action as may be necessary to include each Rent Payment in its annual budget and to make the necessary appropriations for each annual Rent Payment, subject to abatement as provided in the Lease Agreement; provided, however, the City's obligation to make the Rent Payments does not constitute an obligation of the City to levy or pledge any form of taxation, or for which the City has levied or pledged any form of taxation. The requirement to include the Rent 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. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rental Abatement" herein.

Sublease Agreement

General. The Borrower and the City have agreed on the form of the Sublease Agreement. When executed and delivered, the Borrower will pay the City \$1.00 as rent for the Property for this triple net lease. At no expense to the City, the Borrower will, among other things, repair and maintain the Property, be solely responsible for furnishing any utilities or services that the Borrower may need for its use of the Property, and be solely responsible for repairing any damage caused by fire, earthquake or other casualty. See "– Insurance" below and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – Sublease Agreement" attached hereto.

Operating and Tenant Services Subsidy Agreements. Pursuant to agreements to be executed and delivered by the City on or before the Lease Delivery Deadline, the City expects to provide an annual operating subsidy to the Borrower to support the increased operating costs and tenant services costs associated with providing long-term supportive housing services to chronically homeless individuals in the City. The City's provision of such contracts is standard for its approximately 8,000 units of permanent supportive housing, and it sets contract values according to applicable levels of acuity, operating and staffing cost actuals, and benchmarks established through successfully operating, comparable projects. The Project compares favorably with recent PSH projects and master lease housing in San Francisco. For comparable City projects, operating costs average \$900 per unit per month and supportive services cost average \$550 per unit per month. On an annual basis, the City estimates operating and services costs of \$17,400 per unit before accounting for offset for tenant rental contributions, which are capped at 30% of tenant income. According to the City, the Project is within the range of typical PSH operating and services costs.

Under the Sublease Agreement, among other things, the Borrower covenants that if the City is making the full operating subsidy payments and the full tenant services subsidy payments as provided, the Borrower will provide or cause to be provided long-term supportive housing services to chronically homeless individuals. If the City is not making such payments in full, the Borrower will make the Property available for occupancy by low and moderate income persons at an affordability level determined by the Borrower and the City under the then applicable operating subsidy agreement, but at a minimum with residential rents and/or other available subsidy to cover operating expenses and achieve a 1.15 debt service coverage ratio. In such an event, the Borrower's ability to serve households experiencing homelessness will be reduced proportionately to the reduction in operating and tenant services subsidy payments provided by the City. Units that are no longer supported by City subsidy payments will transition over time to occupancy by low-income households. As described above, the new rent levels for units that transition from homeless to low-income housing would be established so that Project cash flow achieves a 1.15 debt service coverage ratio, which equates to a rent affordable to

households earning approximately 45% of area median income (“AMI”) for San Francisco, as defined by the California Tax Credit Allocation Committee. The maximum rent for units transitioning to low-income housing would be 60% of AMI. Such adjusted rent levels would fully support operating payments for the Project.

Leasehold Deed of Trust

The Bonds are further secured by the Bond Promissory Note and the Leasehold Deed of Trust. See “RISK FACTORS – Limitations Relating to the Leasehold Deed of Trust” herein.

Regulatory Agreement

In connection with the development of 833 Bryant Street, a Regulatory Agreement and Declaration of Restrictive Covenants, dated as of July 1, 2020 (the “Regulatory Agreement”), by and among the Issuer, the Trustee and the Borrower will be delivered. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” attached hereto.

Insurance

Prior to Project Completion. Under the Ground Lease the Borrower is required to maintain during construction of the Project property and/or builder’s risk insurance, special form coverage, excluding earthquake and flood, for 100% of the replacement value of all completed improvements and property in the case, custody and control of the Borrower or its contractor, including coverage in transit and storage off-site; the cost of debris removal and demolition as may be reasonably necessary by such covered perils, resulting damage and any applicable law, ordinance or regulation; start up, testing and machinery breakdown including electrical arcing, copy of the applicable endorsement to the Builder’s Risk policy, if the Builder’s Risk policy is issued on a declared-project basis; and with a deductible not to exceed \$50,000 each loss. The policy cannot provide for any deduction for depreciation.

After Project Completion. Following delivery of the Lease Delivery Notice, the Borrower will provide the following insurance coverages:

(i) Commercial general liability insurance with limits not less than One Million Dollars (\$1,000,000) combined single limit per occurrence and Two Million Dollars (\$2,000,000) annual aggregate limit for bodily injury and property damage, including coverage for contractual liability; personal injury; fire damage legal liability; advertisers’ liability; owners’ and contractors’ protective liability; products and completed operations; broad form property damage; and explosion, collapse and underground (XCU).

(ii) Umbrella Liability coverage in amount of not less than Ten Million Dollars (\$10,000,000).

(iii) Commercial Automobile Liability insurance, with limits not less than One Million Dollars (\$1,000,000) each occurrence, combined single limit for bodily injury and property damage, including owned, hired and non-owned auto coverage, as applicable

(iv) Worker’s Compensation Insurance with Employer’s Liability limits not less than One Million Dollars (\$1,000,000) each accident, if applicable.

(v) Business automobile liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property

damage, including owned and non-owned and hired vehicles, as applicable, if the Borrower uses automobiles in connection with its use of the Property.

(vi) Rental interruption insurance (“Rental Interruption Insurance”) covering an abatement of the City’s obligation to make the Rent Payments as a result of a loss, total or partial, covered by the Property Insurance impairing the Borrower’s ability to operate its business at the Property in an amount equal to the annual Rent Payments for a period of at least one (1) year (for two (2) years if available on the open market from reputable insurance companies at a reasonable cost, as determined by the Borrower). Rental Interruption Insurance shall name the Trustee as a beneficiary.

(vii) Licensed professionals (i.e., architects, engineers, certified public accountants, etc.) will provide professional liability insurance with limits not less than \$1,000,000 each claim with respect to negligent acts, errors, or omissions in connection with professional services to be provided to the Property.

(viii) (A) Property insurance, excluding earthquake and flood, in the amount no less than one hundred percent (100%) of the replacement value of all completed improvements and property in the care, custody and control of the Borrower or its contractor. For rehabilitation/construction projects that are unoccupied by residential or commercial tenants, tenants must obtain property insurance by the date that the project receives a certificate of substantial completion; and (B) boiler and machinery insurance, comprehensive form, covering damage to, loss or destruction of machinery and equipment located on the Development that is used by Borrower for heating, ventilating, air-conditioning, power generation and similar purposes, in an amount not less than one hundred percent (100%) of the actual replacement value of such machinery and equipment with a deductible not to exceed Twenty Five Thousand Dollars (\$25,000) each loss.

(ix) Other insurance as is generally required by commercial owners of buildings similar in size, character, age, and location as the Property, as may change from time to time, and insurance that is required pursuant to the Ground Lease.

Each insurance policy required above under the Sublease Agreement will be issued by an insurance company licensed in the State of California and with a general policyholders’ rating of “A- ” or better and a financial size ranking of “Class VIII” or higher in the most recent edition of Best’s Insurance Guide. See, however, “RISK FACTORS – Risk of Uninsured Loss” herein.

Rental Abatement

Under the Lease Agreement, when executed and delivered, during any period during which an Abatement Event has occurred and is continuing, Rent Payments due thereunder will be abated proportionately to the impact of such Abatement Event on the City’s beneficial use of the Property. The City waives all rights to terminate the Lease Agreement by virtue of any such interference and it will continue in full force and effect.

“Abatement Event” means the occurrence and continuation of any of the following:

(a) If the City is making the full operating subsidy payments as provided in the Operating Subsidy Agreement and the full tenant services subsidy payments as provided in the Tenant Services Subsidy Agreement, the Partnership shall fail, for a period of six months during which time the City shall have been using its best efforts to compel such compliance (exercising its remedies under the Sublease),

to substantially comply with its obligation to provide or cause to be provided long-term supportive housing services to chronically homeless individuals as provided in the Operating Subsidy Agreement and the Tenant Services Subsidy Agreement.

(b) If the City is not making the full operating subsidy payments as provided in the Operating Subsidy Agreement or the full tenant services subsidy payments as provided in the Tenant Services Subsidy Agreement, the Partnership shall fail to make the Property available for occupancy by low and moderate income persons at an affordability level determined by the parties under the Operating Subsidy Agreement, but at a minimum with residential rents and/or other available subsidy to cover operating expenses and achieve a 1.15 debt service coverage ratio.

(c) By reason of condemnation or material damage to or destruction of the Property, neither the Partnership nor the City has beneficial use and occupancy of the Property.

STANDBY LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

General

The Trustee is directed in the Indenture to accept and hold the Letter of Credit. If the Trustee does not receive a Lease Delivery Notice on or before the Lease Delivery Deadline, the Trustee will draw on the Letter of Credit, and apply the proceeds of such draw to redeem the Bonds pursuant to the Indenture. See “THE BONDS – Redemption – *Extraordinary Mandatory Redemption from Failure to Deliver Lease*” herein. If the Trustee receives a Lease Delivery Notice on or prior to the Lease Delivery Deadline, the Trustee shall cancel and release the Letter of Credit, undrawn, to the Letter of Credit Provider.

Description of Letter of Credit

The Letter of Credit will be issued and delivered on the delivery date of the Bonds and expire on October 15, 2022, unless such date is extended (the “Expiration Date”) in accordance with the terms of the Letter of Credit and the Reimbursement Agreement (defined below). The Letter of Credit by its terms will be deemed to be automatically extended, without amendment, for six months from the present Expiration Date, or any future expiration date thereof, unless at least sixty (60) days prior to such expiration date the Letter of Credit Provider notifies the Trustee that the Letter of Credit will not be renewed.

Drafts properly presented to the Letter of Credit Provider no later than 10:00 a.m. Eastern time on any Business Day shall be honored on the Second Business Day after the date of presentation, by payment in accordance with the Trustee’s payment instructions that accompany the draft. Drafts presented after 10:00 a.m. Eastern time will be honored on the third Business Day. “Business Day” under the Letter of Credit means any day on which banking institutions located in New York are not required or authorized by law or executive order to close.

Description of Reimbursement Agreement

The Borrower and the Letter of Credit Provider have entered into a Letter of Credit and Reimbursement Agreement (the “Reimbursement Agreement”) which sets the terms and conditions whereby the Letter of Credit Provider has agreed to issue the Letter of Credit and the Borrower is required to repay the Letter of Credit Provider any amounts drawn by the Trustee under the Letter of Credit. The Borrower will reimburse the Letter of Credit Provider for all sums paid under the Letter of Credit to the Trustee on behalf of the Bondholders.

The Reimbursement Agreement sets forth various affirmative and negative covenants of the Borrower, some of which are more restrictive with respect to the Borrower than similar covenants contained in the Loan Agreement. The Reimbursement Agreement also includes various events of default, including, but not limited to, payment defaults, covenant defaults and cross-defaults to other documents, including in some cases other indebtedness. The Borrower has granted a security interest in favor of the Letter of Credit Provider to secure the obligations of the Borrower to the Letter of Credit Provider under the Reimbursement Agreement and related documents.

Pursuant to the Reimbursement Agreement, the Borrower shall have an option to extend the Lease Delivery Deadline of the Letter of Credit from September 1, 2022 to March 1, 2023 (the “Extended Lease Delivery Deadline”), provided that (i) Borrower shall have provided to the Letter of Credit Provider not less than sixty (60) days prior written notice of its election to extend, (ii) there shall be no event of default or any condition or event, which but for the lapse of time or the giving of notice, or both, would constitute an event of default under the Reimbursement Agreement, (iii) the Letter of Credit Provider shall have reasonably determined that there is a sufficient amount on deposit in the Capitalized Interest Account to pay all interest under the Bonds, through the thirtieth day following the extended Lease Delivery Deadline (or if such thirtieth day is not a Business Day, to the next Business Day); (iv) the Letter of Credit Provider shall have reasonably determined that there is a sufficient amount on deposit in the Project Fund or with the Letter of Credit Provider to pay its annual fee of 1.00% of the stated amount of the Letter of Credit when due until the Extended Lease Delivery Deadline; and (v) the Letter of Credit Provider shall have determined that or received adequate assurances from each of Homes for the Homeless Fund LLC, in its capacity as subordinate lender, and from the Borrower’s limited partner that the extension of the Lease Delivery Deadline will not materially adversely affect the availability of subordinate loan proceeds or of any required future capital contributions from its limited partner nor cause a default under the subordinate loan documents or the Borrower’s partnership agreement.

If the Trustee does not receive a Lease Delivery Notice on or before the Lease Delivery Deadline or by the Extended Lease Delivery Deadline, if applicable, the Trustee will draw on the Letter of Credit, and apply the proceeds of such draw to redeem the Bonds pursuant to the Indenture (see “THE BONDS – Redemption – Extraordinary Mandatory Redemption from Failure to Deliver Lease” herein), and in such event, the Bonds may be purchased by the Trustee (for the account of the Borrower or the Letter of Credit Provider or their respective designee, as directed by such party) on the date that would be the redemption date. See “THE BONDS – Purchase of Bonds in Lieu of Redemption herein.

The Letter of Credit Provider shall have the right, in its sole discretion, to amend, modify, change, add to or delete any provisions of the Reimbursement Agreement, including, but not limited to, adding cross-defaults to any other documents and agreements, without receiving the consent of, or providing notice to, the Trustee, the Issuer or the Bondholders. The Letter of Credit Provider shall also have the right, in its sole discretion, to waive any event of default under any transaction document. Unless such waiver expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence which gave rise to the Event of Default so waived and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

RISK FACTORS

Purchase of the Bonds will constitute an investment subject to certain risks, including the risk of nonpayment of principal and interest. Before purchasing any of the Bonds, prospective investors should carefully consider, among other things, the risk factors described below. However, the following is not meant to be an exhaustive listing of all the risks associated with the purchase of the Bonds. Moreover, the order of presentation of the risk factors does not necessarily reflect the order of their importance.

Limited Obligation

The Bonds are limited obligations of the Issuer, payable solely from the funds and moneys pledged and assigned under the Indenture. None of the Issuer, the State, or any political subdivision thereof (except the Issuer, to the limited extent set forth in the Indenture) or the City shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever except as set forth herein, and none of the Bonds or any of the Issuer's agreements or obligations shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The Issuer has no taxing power.

Limited Recourse on Default Under Lease Agreement

If the City defaults on its obligations to make Rental Payments under the Lease Agreement, when executed and delivered, the Trustee may have limited recourse. **In the event of a default, there is no remedy of acceleration of the total Rental Payments due over the term of the Lease Agreement.** The City will only be liable for Rental Payments on an annual basis under the Lease Agreement, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against public entities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Abatement

Under the Lease Agreement, during any period during which an abatement event has occurred and is continuing, Rent Payments due thereunder will be abated proportionately to the impact of such Abatement Event on the City's beneficial use of the Property. In the Lease Agreement, the City waives all rights to terminate the Lease Agreement by virtue of any such interference and it will continue in full force and effect. As described herein under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rental Abatement," the specific Abatement Events in the Lease Agreement are limited.

Also, 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 Lease Agreement or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of execution and delivery of the Bond. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Bonds.

Project Construction Delay

Project development may be subject to unexpected delays, disruptions and changes. For example, real estate development may be adversely affected by changes in general economic conditions, including those related to the COVID-19 pandemic, unexpected increases in development costs and by other factors. Further, real estate development may be adversely affected by future governmental policies, including governmental policies to restrict or control development or related to the COVID-19 pandemic, although construction of affordable housing has been deemed an “essential” activity by local governments and has been allowed to continue since the onset of the pandemic. If the projected development of the Project is halted or delayed beyond the capitalized interest available to pay debt service on the Bonds the Letter of Credit would be drawn in full in connection with a mandatory redemption as described herein. See “THE BONDS – Redemption – *Extraordinary Mandatory Redemption from Failure to Deliver Lease*” herein.

Letter of Credit

If a financial institution, such as the Letter of Credit Provider, is placed into receivership, the receiver generally will have broad powers with respect to the disposition of the assets and liabilities of such financial institution. A receiver may, depending on the circumstances and the scope of its legal authority, repudiate letters of credit issued by the failed financial institution while discharging its powers as receiver. No assurance can be given that if the Letter of Credit Provider were ever to enter receivership that the Letter of Credit would not be subject to repudiation by the Letter of Credit Provider’s receiver.

Limitations Relating to the Leasehold Deed of Trust

The security afforded by the Leasehold Deed of Trust is limited. There can be no assurance that the lien of the Leasehold Deed of Trust could be foreclosed or otherwise realized upon at a time or in an amount sufficient to make full and timely payment of principal of and interest on the Bonds.

Foreclosure. There are two methods of foreclosing on a deed of trust under State law, by nonjudicial sale and by judicial sale. Foreclosure under a deed of trust may be accomplished by a nonjudicial trustee’s sale under the power of sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and election to sell and send a copy to the trustor, to any person who has recorded a request for a copy of the notice of default and notice of sale, to any successor in interest of the trustor and to certain other parties discernable from the real property records. The trustee then must wait for the lapse of at least three months after the recording of the notice of default and election to sell before establishing the trustee’s proposed sale date and giving a notice of sale (in a form mandated by State statutes). The notice of sale must be posted in a public place and published once a week for three consecutive calendar weeks, with the first such publication preceding the trustee’s sale by at least 20 days. Such notice of sale must be posted on the property and sent, at least 20 days prior to the trustee’s sale, to the trustor, to each person who has requested a copy, to any successor in interest of the trustor, to the beneficiary of any junior deed of trust and to certain other parties discernable from the real property records. In addition, the notice of sale must be recorded with the county recorder at least 14 days prior to the date of sale. The trustor, any successor in interest of the trustor in the trust property, or any person having a junior lien or encumbrance of record may, during the statutory reinstatement period, cure any monetary default by paying the entire amount of the debt then due under the terms of the deed of trust and the obligations secured thereby (exclusive of principal due by virtue of acceleration upon default) plus costs and expenses actually incurred in enforcing the obligation and certain statutorily limited attorneys’ and trustee’s fees. Following a nonjudicial sale, neither the trustor nor any junior lien holder has any right of redemption, and the beneficiary may not ordinarily obtain a deficiency judgment against the trustor.

Should foreclosure under a deed of trust be sought in the form of a judicial foreclosure, it is generally subject to most of the delays and expenses of other lawsuits, and sometimes requires up to several years to complete. The primary advantage of a judicial foreclosure is that the beneficiary is entitled, subject to other limitations, to obtain a deficiency judgment against the trustor to the extent that the amount of the debt is in excess of the fair market value of the property. Following a judicial foreclosure sale, the trustor or its successors in interest may redeem the property for a period of one year (or a period of only three months if the proceeds of sale are sufficient to satisfy the debt, plus interest and costs). In addition, to assure collection of any rents assigned as additional collateral under the Leasehold Deed of Trust, the Trustee would likely need to seek the appointment by a court of a receiver for the Facilities.

Antideficiency Legislation and Certain Other Limitations on Lenders. The State has four principal statutory prohibitions limiting the remedies of a beneficiary under a deed of trust. Two such prohibitions limit the beneficiary's right to obtain a deficiency judgment, one being based on the method of foreclosure and the other on the type of debt secured. Under the former, a deficiency judgment is ordinarily barred when the foreclosure is accomplished by means of a nonjudicial trustee's sale, except for limited exceptions not applicable to the Leasehold Deed of Trust. Under the latter, a deficiency judgment is barred where a foreclosed deed of trust secures certain purchase money obligations. A State law, commonly known as the "one form of action" rule, requires the beneficiary to exhaust the security under a deed of trust by foreclosure before bringing a personal action against the trustor on the indebtedness. If a court were to hold that this rule were applicable to the Leasehold Deed of Trust, and the trustee under the Leasehold Deed of Trust or the Bondholders were to file suit or take other actions (including set off) to collect the debt secured by the Leasehold Deed of Trust without seeking to enforce their remedies under the Leasehold Deed of Trust, they might be precluded from thereafter proceeding under the Leasehold Deed of Trust. State law also limits any deficiency judgment obtained by a beneficiary following a judicial sale to the excess of the outstanding debt above the fair market value of the property at the time of sale. This prevents a beneficiary from obtaining a large deficiency judgment against the debtor as the result of low bids at a judicial sale. Statutory provisions (such as the federal bankruptcy laws) may have the effect of delaying enforcement of the lien of the Leasehold Deed of Trust in the event of a default by the Borrower.

Risk of Uninsured Loss

The Borrower covenants under the Ground Lease and the Sublease Agreement to maintain certain insurance policies on the Property. The City is not required to carry any insurance with respect to the Project. Such policies do not cover all types of risk. For example, the Borrower is not required to maintain earthquake insurance with respect to the Project. In the case of a circumstance not covered by insurance, an abatement of Rental Payments could occur and could continue indefinitely. In cases where the casualty is covered by insurance, there can be no assurance that the insurance carriers will in all events be able or willing to make payments under their respective policies should a claim be made. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Property will be sufficient to repair or replace the Property or to redeem the Bonds.

No Limitation on Incurring Additional Obligations

Neither the Lease Agreement nor the Indenture contains any limitations on the ability of the City to enter into other obligations that may constitute additional claims against its General Fund revenues. To the extent that the City incurs additional obligations, the funds available to make Rental Payments may be decreased. The City is currently liable on many other obligations payable from General Fund revenues. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES" and APPENDIX C "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE

CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2019” attached hereto.

Risks Related to City Finances and Lease Payments

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

To date there have been approximately 5,500 confirmed cases of COVID-19 in the City, and health officials expect the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including the San Francisco Unified School District) throughout the United States. In addition, stock markets in the United States and globally have been volatile.

Several counties in the Bay Area (including the City) announced shelter-in-place (“Shelter-in-Place”) emergency orders, which direct individuals to stay home, except for certain limited travel for the conduct of essential services. Most retail establishments (e.g., restaurants, bars and nightclubs, entertainment venues, gyms, etc.) were closed in response to the Shelter-in-Place order. The Governor of the State announced a similar Shelter-in-Place emergency order (N-33-20) effective for the entire state.

On July 13, 2020, the San Francisco Department of Public Health released the current Health Order (“Order”) in effect for the City and County of San Francisco. The Order does not have an expiration date and has been updated once thus far to refine the criteria for further implementation of the multi-stage reopening plan released by Mayor Breed on May 28, 2020. The reopening plan, informed by the work of the Economic Recovery Task Force, outlines anticipated stages for businesses and activities to resume operations in San Francisco dependent on key health indicators. An update to the prior Order on June 11, 2020 provided guidance for additional allowable business operations including outdoor dining, in-store retail, and non-essential office work. Further reopenings proposed for June 29, 2020 and July 13, 2020 were paused due to an increase in local COVID-19 cases. On July 17, 2020, the same day San Francisco was placed on the State of California’s county watch list, Mayor Breed and Dr. Grant Colfax announced that the City’s schedule for reopening would remain on pause indefinitely to slow the spread of COVID-19. Future updates to the Order are uncertain at this time.

In February 2020, the Mayor declared a state of emergency, activating the City’s Emergency Operations Center. The response quickly grew into a multi-agency initiative to address issues arising from the health crisis. In addition to Department of Public Health-led efforts to respond to the immediate health emergency, the City has stood up multiple programs to assist residents and businesses with the ancillary impacts of COVID-19. The City announced emergency relief measures for local businesses that will defer collection of certain tax revenues and increase City expenditures, with potential offsets from federal and State emergency funds. Existing and potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the City’s public health system, reductions in tourism and disruption of the regional and local economy, including triggering an economic recession of unknown duration, widespread business closures and significantly higher levels of unemployment, with corresponding decreases in City revenues.

The ongoing response to COVID-19 will likely cost hundreds of millions of dollars, depending on the duration and severity of the pandemic. New costs will be partially offset by the re-assignment of City employees, FEMA reimbursement for eligible costs, and federal funding from the CARES Act. Meanwhile, the economic impact of COVID-19 has drastically affected the City's tax revenues and in turn, the ability to sustain regular operations at current levels. The City projects a \$1.5 billion shortfall for the upcoming two-year budget and is charter-mandated to adopt a balanced two-year budget by October 1. Closing the shortfall will require a combination of reserve usage and reductions across various City expenditures.

The adverse effects of the COVID-19 outbreak will likely also have an adverse impact on the City's retirement system. While the City's retirement system is structured for long term performance, it is likely that the current market value of the City's retirement fund has been materially adversely affected given the recent volatility and deterioration in global stock market values. These declines in market value could result in future increases in required pension fund contributions.

The COVID-19 outbreak is expected to have material adverse impacts on the projections and budget information provided in APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES” attached hereto.

City Long-Term Financial Challenges. The following discussion highlights certain long-term challenges facing the City and is not meant to be an exhaustive discussion of challenges facing the City (see also, for example, “Seismic Risks” and “Climate Change, Risk of Sea Level Rise and Flooding Damage” below). While the City had strong economic and financial performance during the recent recovery and despite significant City initiatives to improve public transportation systems, expand access to healthcare and modernize parks and libraries, the City faces several long-term financial challenges and risks described below. **In particular, the City faces new significant adverse financial and budgetary challenges due to the COVID-19 Emergency.**

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

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

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

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” attached hereto.

Vulnerability Study of the Northern Waterfront Seawall. In early 2016, the Port Commission of the City commissioned an earthquake vulnerability study of the Northern Waterfront Seawall. The three-mile Seawall was constructed over 100 years ago and sits on reclaimed land, rendering it vulnerable to seismic risk. The Seawall provides flood and wave protection to downtown San Francisco, and stabilizes hundreds of acres of filled land. Preliminary findings of the study indicate that a strong earthquake may cause most of the Seawall to settle and move outward toward the Bay, which would significantly increase earthquake damage and disruption along the waterfront. The Port Commission estimates that seismic retrofitting of the Seawall could cost as much as \$3 billion, with another \$2 billion or more needed to prepare the Seawall for rising sea levels. The study estimates that approximately \$1.6 billion in Port assets and \$2.1 billion of rents, business income, and wages are at risk from major damage to the Seawall. See also, “– Certain Seismic Risks” and “– *Climate Change, Risk of Sea Level Rise and Flooding Damage*” below.

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

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

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

Sea levels will continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, a location underneath the Golden Gate Bridge. Weather and tidal patterns, including 100-year or more

storms and king tides, may exacerbate the effects of climate related sea level rise. Coastal areas like the City are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City could be required to mitigate these effects at a potentially material cost.

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

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

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

The City has already incorporated site specific adaption plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has started the process of planning to fortify the Port's seawall from sea level rise, including an initial investment of about \$8 million during fiscal year 2017-18 and consideration of financing options. The City expects short-term upgrades to cost over \$500 million and long-term upgrades to cost more than \$5 billion.

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

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

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

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

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City’s Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards. In November 2016, the City adopted a City-wide Cyber Security Policy (“Cyber Policy”) to support, maintain, and secure critical infrastructure and data systems. The objectives of the Cyber Policy include the protection

of critical infrastructure and information, manage risk, improve cyber security event detection and remediation, and facilitate cyber awareness across all City departments. The City's Department of Technology has established a cybersecurity team to work across all City departments to implement the Cyber Policy. The City's Cyber Policy is reviewed periodically.

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

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

Bankruptcy. In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture, the Ground Lease, the Lease Agreement and the Sublease Agreement may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights.

The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (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 that were derived by the Lease Agreement; (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 Bondholders; and (iv) the possibility of the adoption of a plan (a "Plan") for the adjustment of the City's debt without the consent of the Trustee or all of the Bondholders, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Bondholders if the Bankruptcy Court finds that the Plan is "fair and equitable" and in the best interests of creditors.

In addition, the City could either reject the Lease Agreement or assume the Lease Agreement despite any provision of the Lease Agreement that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Lease Agreement, the Trustee, on behalf of the Bondholders, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under a Plan over the objections of the Trustee or Bondholders. Moreover, such rejection would terminate the Lease Agreement and the City's obligations to make payments thereunder. The City may also be permitted to assign the Lease Agreement to a third party, regardless of the terms of the transaction documents. If the City rejects the Lease Agreement, the Trustee, on behalf of the Bondholders of the Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under a Plan over the objections of the Trustee or Bondholders. Moreover,

such rejection may terminate the Lease Agreement and the obligations of the City to make payments thereunder.

The various opinions of counsel will be qualified to the extent the enforceability of the Lease Agreement may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. No opinion is being delivered by Bond Counsel relating to the treatment of the Lease Agreement or any related matter in a City bankruptcy proceeding.

Certain Seismic Risks

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

California Earthquake Probabilities Study. In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of about magnitude 6.7 (the magnitude of the 1994 Northridge earthquake) or larger will occur in the San Francisco Bay Area before the year 2045. Such earthquakes could be very destructive. In a U.S.G.S. April 2017 report entitled 'The HayWired Earthquake Scenario' estimates that property damage and direct business disruption losses from a magnitude 7.0 earthquake on the Hayward Fault would be more than \$82 billion (in 2016 dollars). Most of the losses are expected to be attributable to shaking damage, liquefaction, and landslides (in that order). Eighty percent of shaking damage is expected to be caused by the magnitude 7.0 mainshock, with the rest of the damage resulting from aftershocks occurring over a 2-year period thereafter. 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.

Geotechnical Issues at Project Site. The primary geotechnical concerns at the Project site include (i) the presence of up to 6 feet of undocumented fill across the site, some of which contains rubble and debris, (ii) relatively shallow groundwater table, (iii) the presence of granular soil susceptible to liquefaction below the groundwater table, (iv) potential liquefaction-induced ground settlement damages to building foundations and underground utilities during a major earthquake, and (v) the presence of moderately strong, moderately to highly compressible Bay Mud layer up to about 20 feet thick. A geotechnical engineer was engaged to observe ground improvement, grading, and foundation installation during construction of the Project in order to confirm conditions and may make changes in recommendations, if deemed necessary based on unforeseen conditions. The geotechnical report prepared for the Project was reviewed and approved by the City's Department of Building Inspection.

Other Events

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

In September 2010, a PG&E high pressure natural gas transmission pipeline exploded in San Bruno, California, which resulted in the loss of life, numerous injuries and significant property damage. PG&E owns, operates and maintains numerous gas transmission and distribution pipelines throughout the City.

In August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area 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 generation and transmission facilities and water transmission facilities. SFPUC is currently conducting an overall conditions assessment of all dams in its system. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City's water and power infrastructure located in the region. Certain portions of the Hetch Hetchy Project such as Mountain Tunnel, an 18.9-mile water conveyance facility, are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City. Further, many areas of California suffered from wildfires in recent years, including the Kincade Fire in late 2019 that burned approximately 78,000 acres in Sonoma County, California and the Camp Fire in late 2018 that burned over 153,300 acres in Butte County, California.

More recently, there have been significant wildfires in northern California with the Tubbs fire in October 2017 the Northern California fires (covering approximately 245,000 acres and causing 44 deaths and approximately \$14 billion in damage) and the Camp fire in November 2018 (covering almost 240 square miles and resulting numerous deaths and over \$16 billion in property damage). As a result, PG&E has adopted mitigation strategies which results in pre-emptive distribution circuit and high power transmission line shut offs during periods of extreme fire danger (i.e. high winds, high temperatures and low humidity) to portions of the Bay Area, including the City. In 2019 the City experienced several black out days as a result of PG&E's wildfire prevention strategy. Future shut offs are expected to continue and it is uncertain what effects future PG&E shut offs will have on the local economy.

Loss of Tax Exemption

To maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Issuer, the Borrower and the City will covenant to comply with each applicable requirement of Section 103 and Sections 141 and 150 of the Internal Revenue Code of 1986, as amended. The interest on the Bonds could become includable gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds as a result of acts or omissions of the Issuer, the Borrower and/or the City in violation of this or other covenants in the Indenture, the Loan Agreement and/or the Lease Agreement. The Bonds are not subject to redemption or any increase in interest rates should an

event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel (“Bond 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, interest on the Bonds 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. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Bonds 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 of the Bonds is the first price at which a substantial amount of such maturity of the Bonds 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 of the Bonds accrues daily over the term to maturity of such Bonds 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 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds 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 Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds 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 on obligations such as the Bonds. The Issuer, the Borrower and the City have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of

issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds 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 on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond 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 on the Bonds 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 Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer, the Borrower or 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 Issuer, the Borrower, the City have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the Borrower, the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer, the Borrower, the City and their appointed counsel, including the Beneficial 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 Issuer, the Borrower or the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Issuer, the Borrower, the City or the Beneficial Owners to incur significant expense.

CONTINUING DISCLOSURE

The Issuer has determined that no financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Bonds and the Issuer will not provide any such information.

The City has covenanted for the benefit of the Bondholders to provide certain financial information and operating data relating to the City (the “City Annual Report”) not later than 275 days after the end of the City’s fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2019-20, and to provide notices of the occurrence of certain enumerated events. These covenants have been made in order to assist the initial purchaser of the Bonds in complying with Rule 15c2-12 of the U.S. Securities and Exchange Commission (the “Rule”). The City Annual Report and notices of enumerated events will be filed by the City with the Electronic Municipal Market Access system (“EMMA”) of the Municipal Securities Rulemaking Board (“MSRB”). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATES” attached hereto.

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.

The Borrower has covenanted for the benefit of the Bondholders to provide certain financial information and operating data relating to the Borrower and the Project (the “Borrower Annual Report”) not later March 31 of each year, commencing on March 31, 2021 with the report for fiscal year ending December 31, 2020, and to provide notices of the occurrence of certain enumerated events. These covenants have been made in order to assist the initial purchaser of the Bonds in complying with the Rule. The Borrower’s Annual Report and notices of enumerated events will be filed by the City with EMMA of 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 E – “FORM OF CONTINUING DISCLOSURE CERTIFICATES” attached hereto.

RATING

Moody’s Investors Service (“Moody’s”) has assigned a rating of “Aa2” to the Bonds. Such rating reflects only the views of Moody’s and any desired explanation of the significance of such rating should be obtained from Moody’s. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance any such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely, if in the judgment of Moody’s, circumstances so warrant. Any downward revision or withdrawal of a rating by Moody’s may have an adverse effect on the market price of the Bonds.

NO LITIGATION

The Issuer

To the knowledge of the Issuer, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Issuer, seeking to restrain or enjoin the sale or issuance of the Bonds, or in any way contesting or affecting any proceedings of the Issuer taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, in any way contesting the validity or enforceability of the Indenture, the Loan Agreement, the Regulatory Agreement, the Lease

Agreement or the Bond Purchase Agreement, or the existence or powers of the Issuer relating to the sale of the Bonds.

The City

To the knowledge of the City, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the City, in any way contesting the validity or enforceability of the Lease Agreement, the Sublease Agreement, or the City Letter of Representations in the Bond Purchase Agreement.

The Borrower

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best knowledge of the Borrower, threatened in writing against the Borrower, affecting the existence of the Borrower, involving the Project or seeking to restrain or enjoin the issuance, sale, execution or delivery of the Ground Lease, the Regulatory Agreement, the Lease Agreement, the Sublease Agreement, the Indenture, the Loan Agreement or the Bond Purchase Agreement, the Bonds or the financing of the Project, or in any way contesting or affecting as to the Borrower, or the execution and delivery of any of the foregoing documents, or the application of any moneys or security provided for the payment of the Bonds, or in any way contesting or challenging the completeness or accuracy of the preliminary or final Official Statement or any supplement or amendment thereto, or the powers of the Borrower or its authority with respect to the consummation of the transactions contemplated hereby or by the foregoing documents, or challenging the exclusion of interest on the Bonds from gross income for Federal income tax purposes.

RELATIONSHIPS AMONG PARTIES

Citibank, N.A. and Citigroup Global Markets Inc. are entities under the holding company Citigroup Inc. Citibank, N.A. will become a 99.99% limited partner owner of the Borrower on the delivery date of the Bonds.

UNDERWRITING

Citigroup Global Markets Inc. (the “Underwriter”) has agreed, subject to certain customary conditions precedent to closing, to purchase the Bonds from the Issuer at a price equal to \$33,100,999.48, which represents the principal amount of the Bonds of \$26,985,000.00, plus an original issue premium of \$6,297,714.05. The Underwriter is being paid a fee of \$181,714.57 in connection with the issuance of the Bonds.

The Underwriter intends to offer the Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may re-allow any such discounts on sales to other dealers.

The Underwriter has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, the Underwriter may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, the Underwriter will compensate Fidelity for its selling efforts with respect to the Bonds.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer. A complete copy of the proposed form of opinion of Bond Counsel is attached as Appendix F hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed on for the City by Hawkins Delafield & Wood LLP and Stradling Yocca Carlson and Rauth, A Professional Corporation, as Co-Disclosure Counsel to the City, for the Borrower by Gubb and Barshay LLP, for Citibank, N.A. as standby letter of credit provider by Robinson & Cole LLP and for the Underwriter by their counsel, Norton Rose Fulbright US LLP, Los Angeles, California.

[Remainder of page intentionally left blank.]

This Official Statement has been duly authorized, executed and delivered by the Issuer and the Borrower.

CALIFORNIA HOUSING FINANCE AGENCY

By: /s/ Timothy Hsu
Name: Timothy Hsu
Title: Interim Director of Financing

833 BRYANT, L.P., a California limited partnership

By: 833 Bryant LLC, a California limited
liability company, its general partner

By: Mercy Housing Calwest, a California
nonprofit public benefit corporation,
its sole member/manager

By: /s/ Barbara Gualco
Name: Barbara Gualco
Its: Vice President

APPENDIX A

RECENT DEVELOPMENTS

The following information regarding certain recent developments in the finances and operations of the City supplements and amends the information set forth in Appendix A as of the date of this Official Statement. **Certain of the information provided below regarding the recent and ongoing COVID-19 Emergency (as defined below) has had and is expected to continue to have material adverse impacts on the projections and budget information provided in APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES,” which information in certain cases was prepared and released by the City prior to the COVID-19 Emergency.** 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. Certain of the information provided below, and elsewhere in this Official Statement, involves forward-looking statements, which are based on current expectations and are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. See “CERTAIN RISK FACTORS – Public Health Emergencies.”

General

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

To date there have been over 5,500 confirmed cases of COVID-19 in the City, and health officials expect the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including the San Francisco Unified School District) throughout the United States. In addition, stock markets in the United States and globally have been volatile.

Several counties in the Bay Area (including the City) announced shelter-in-place (“Shelter-in-Place”) emergency orders, which direct individuals to stay home, except for certain limited travel for the conduct of essential services. Most retail establishments (e.g., restaurants, bars and nightclubs, entertainment venues, gyms, etc.) were closed in response to the Shelter-in-Place order. The Governor of the State announced a similar Shelter-in-Place emergency order (N-33-20) effective for the entire state.

On July 13, 2020, the San Francisco Department of Public Health released the current Health Order (“Order”) in effect for the City and County of San Francisco. The Order does not have an expiration date and has been updated once thus far to refine the criteria for further implementation of the multi-stage reopening plan released by Mayor Breed on May 28, 2020. The reopening plan, informed by the work of the Economic Recovery Task Force, outlines anticipated stages for businesses and activities to resume operations in San Francisco dependent on key health indicators. An update to the prior Order on June 11, 2020 provided guidance for additional allowable business operations including outdoor dining, in-store retail, and non-essential office work. Further reopenings proposed for June 29, 2020 and July 13, 2020

were paused due to an increase in local COVID-19 cases. On July 17, 2020, the same day San Francisco was placed on the State of California's county watch list, Mayor Breed and Dr. Grant Colfax announced that the City's schedule for reopening would remain on pause indefinitely to slow the spread of COVID-19. Future updates to the Order are uncertain at this time.

In February 2020, the Mayor declared a state of emergency, activating the City's Emergency Operations Center. The response quickly grew into a multi-agency initiative to address issues arising from the health crisis. In addition to Department of Public Health-led efforts to respond to the immediate health emergency, the City has stood up multiple programs to assist residents and businesses with the ancillary impacts of COVID-19. The City announced emergency relief measures for local businesses that will defer collection of certain tax revenues and increase City expenditures, with potential offsets from federal and State emergency funds. Existing and potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the City's public health system, reductions in tourism and disruption of the regional and local economy, including triggering an economic recession of unknown duration, widespread business closures and significantly higher levels of unemployment, with corresponding decreases in City revenues.

The ongoing response to COVID-19 will likely cost hundreds of millions of dollars, depending on the duration and severity of the pandemic. New costs will be partially offset by the re-assignment of City employees, FEMA reimbursement for eligible costs, and federal funding from the CARES Act. Meanwhile, the economic impact of COVID-19 has drastically affected the City's tax revenues and, in turn, the ability to sustain regular operations at current levels. The City projects a \$1.5 billion shortfall for the upcoming two-year budget and is charter-mandated to adopt a balanced two-year budget by October 1. Closing the shortfall will require a combination of reserve usage and reductions across various City expenditures.

The adverse effects of the COVID-19 outbreak will likely also have an adverse impact on the City's retirement system. See "May Update Report" below. While the City's retirement system is structured for long term performance, it is likely that the current market value of the City's retirement fund has been materially adversely affected given the recent volatility and deterioration in global stock market values. These declines in market value could result in future increases in required pension fund contributions.

Modifications to Budget Calendar

On March 31, 2020, Mayor Breed announced in a press release that due to the current COVID-19 pandemic, the City's budget timeline will be delayed for two months. This delay allowed the City to focus on responding to the public health crisis and provide enough time for City budget staff to develop a plan to bring fiscal year 2019-20 expenditures into alignment with projected lower revenues and prepare for the upcoming budget cycle. The additional time is intended to ensure the City's response to the significant fiscal year 2019-20 shortfall and upcoming budget deficits are thoughtful and responsible.

Mayor Breed issued Budget Instructions to departments in May, and Departments were instructed to submit new department proposals to aid the Mayor in developing her balanced budget in June and July. On June 1, 2020 the Mayor introduced and on June 30, 2020 the Board of Supervisors approved a balanced interim budget for fiscal years 2020-21 and 2021-22, which will remain in effect until the final budget is adopted by October 1, 2020. The Mayor plans to introduce a two-year balanced budget to the Board of Supervisors by August 1, 2020 for fiscal years 2020-21 and 2021-22. Following the Budget and Finance Committee Phase and the full Board phase, the budget is planned to go to Mayor Breed for her approval and signature by October 1, 2020. Also, see "May Update Report" below.

March Joint Report Update

On March 31, 2020, the Mayor, Board of Supervisors Budget Analyst, and Controller released an update (the “March Joint Report Update”) to the City’s Five-Year Financial Plan (the “Plan” or the “January Joint Report”). The January Joint Report forecasts City expenditures and revenues for the next five fiscal years. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Five-Year Financial Plan.” The March Joint Report Update updated the previous projections in the January Joint Report with new information since January, notably the impacts on the City’s local tax revenues resulting from the COVID-19 public health emergency (the “COVID-19 Emergency”). Generally, the March Joint Report Update has been updated and superseded by the May Update described below.

May Update Report

On May 13, 2020, the City released the May Update. The May Update report summarizes current projections of the City’s General Fund revenue and expenditures for the five-year period from fiscal year 2019-20 through fiscal year 2023-24, and was prepared jointly by the Mayor’s Budget Office, the Board of Supervisors Budget & Legislative Analyst, and the Controller’s Office. A copy of the May Update may be found on the City’s investor information website located at <https://sfcontroller.org/continuing-secondary-market-disclosure>. Neither the copy of the May Update on the City’s investor relations website nor any other content on the City’s investor relations website is incorporated by reference herein.

The report’s assessment of the severity and duration of economic and financial losses have worsened and changed in some aspects since the March Joint Report Update. In the City’s upcoming budget cycle, the Mayor and Board of Supervisors were required to close the \$246 million shortfall for fiscal year 2019-20 and the projected \$1.5 billion shortfall for the following two fiscal years during the remaining months of fiscal year 2019-20 and the upcoming two-year budget period (through fiscal year 2021-22).

In addition to the projected shortfalls through fiscal year 2021-22, the May Update report projects annual shortfalls of \$1.0 billion in fiscal year 2022-23 and \$1.1 billion in fiscal year 2023-24, the last two fiscal years of the five-year forecast period:

Cumulative Changes in General Fund Supported Revenues and Expenditures (\$ in millions)

	Fiscal Year				
	2019-20	2020-21	2021-22	2022-23	2023-24
Current fiscal year	(246.2)				
Future fiscal years		(753.9)	(735.4)	(1,016.4)	(1,088.5)
Projected shortfalls	(246.2)	(753.9)	(735.4)	(1,016.4)	(1,088.5)
FY 2019-20 through FY 2021-22 total			(1,735.5)		

While the March Joint Report Update presented the impacts of both an extended and limited recession, the May Update report no longer includes a more rapid recovery underpinning a limited impact scenario. Further, numerous factors, known and unknown, could cause actual results to differ materially from the projections, including but not limited to a delayed economic and revenue recovery scenario, emergency expenditures being required for a longer duration and/or loss of expected federal or State aid.

Economic and Revenue Recovery Delayed. As mentioned above, the May Update projections assume a slower economic recovery begins later in 2020 and continues into subsequent fiscal years. To the extent that the recovery occurs later or more gradually than assumed in the May Update, tax revenue losses will exceed those projected in the May Update report. Deeper losses would occur if continued community exposure to COVID-19 requires a slower resumption of economic activity, or subsequent outbreaks require re-imposition of public health measures that had been lifted.

Property, business, hotel, and sales tax revenue account for \$3.6 billion of the City's General Fund revenues. More significant economic losses that drive either a deeper loss or slower recovery of these revenue sources than assumed in the May Update would worsen the projections significantly.

Emergency Expenditures Required for Longer Duration. The City's response to the public health emergency has been expansive, and the City projects emergency response expenditures to total approximately \$375 million during fiscal year 2019-20 alone. These costs include extensive procurement of protective equipment for medical staff and first responders, operation and augmentation of the City's public health system, new congregate and non-congregate housing alternatives for vulnerable residents, and economic and social support programs for those effected by both the public health and economic emergencies.

Given uncertainty regarding the duration of the public health emergency and nascent financial planning regarding the need to sustain response programs in upcoming fiscal years, these projections assume no additional General Fund cost for these programs beyond June 30, 2020. However, sustained emergency and public health responses will be required.

Reliance on Federal and State Support. The May Update notes that the City is reliant on federal and State revenues to support a variety of public health, social, and other government services. These funds account for approximately 20% of total General Fund revenues. The reliance on federal funds is heightened in the current emergency, as Federal Emergency Management Agency ("FEMA") and other federal grant programs are needed to offset the costs of the City's emergency response. The May Update projects that federal sources, including a significant allocation provided under the federal CARES Act for state and local governments, will offset the majority of emergency costs during fiscal year 2019-20. However, absent additional allocations from the federal government, CARES Act funds will be largely exhausted in fiscal year 2019-20. Similarly, the duration of reimbursements from FEMA are unknown and tied to the duration of the federal emergency. As these federal programs expire, it will significantly decrease non-City revenues available to offset future local emergency response costs.

Additionally, the City receives funding through the State for a number of human welfare, public health, and other programs. The public health emergency has significantly weakened the State's financial condition. On May 14, 2020, the Governor released a proposed State budget to bridge a projected \$54 billion shortfall for the current and upcoming fiscal year. See "Impact of the State of California Budget on Local Finances." To the extent that the State's budget challenge results in reductions in funding for local governments, it may increase General Fund shortfalls accordingly. Projections in the May Update report assume no loss of federal or State aid.

Other Key Assumptions. The May Update report includes projections of all General Fund expenditures and revenues for fiscal years 2019-20 through 2023-24 and assumes current service levels and adopted policies. The City is required to adopt and maintain balanced budgets.

In its projections of fund balance available to support future fiscal years, the May Update assumes that a plan to bridge the \$246 million projected fiscal year 2019-20 shortfall will be enacted in fiscal year 2019-

20. The Mayor's Office submitted a plan to offset projected revenue losses in fiscal year 2019-20. The \$246 million in reductions and balancing solutions include utilization of the City's General Reserve, reductions to capital projects and allocations from the General Fund Pay-Go capital program, savings from City departments, debt savings, and prior ERAF reallocation. The Board of Supervisors approved the Proposed Interim Budget and Appropriation Ordinance for Departments - FYs 2020-2021 and 2021-2022 on June 30, 2020.

Nine-Month Report for Fiscal Year 2019-20. The May Update includes the Controller's nine-month update on fiscal year 2019-20 revenue and expenditures as required by Charter Section 3.105, with information and projections as of April 15, 2020 ("Nine Month Report"). The Nine Month Report shows a fiscal year 2019-20 mid-year shortfall of \$246.2 million, as shown in the table below.

**FY 2019-20 Project General Fund Variances to Budget
(\$ in millions)**

	FY 2018-19 Ending Fund Balance	504.7
	Appropriation in the FY 2019-20 Budget	(210.6)
A.	FY 2019-20 Starting Fund Balance	294.0
	Citywide Revenue Surplus / (Shortfall)	(436.0)
	Baseline Contributions	103.8
	Departmental Operations	123.7
	Approved Supplemental Appropriations	2.2
	Projected Use of General Reserve	(2.2)
B.	Current Year Revenues and Expenditures	(208.5)
	Deposit to Budget Stabilization Reserve	(66.8)
	Deposit to Budget Stabilization One-Time Reserve	66.8
	Deposit to Budget Savings Incentive Fund	-
C.	Withdrawals from / (Deposits) to Reserves	-
D.	FY 2019-20 Projected Ending Balance	85.5
E.	Previously Projected Available for Budget Years	331.7
F.	FY 2019-20 Mid-Year Shortfall	(246.2)

Citywide revenues are anticipated to be \$436.0 million below budget, a decline of \$542.8 million from the budget status update on revenues and expenditures through the first six months of the year issued by the Controller's Office in February 2020 (the "Six Month Report"). Formula-driven voter-mandated baseline spending requirements are projected to be \$103.8 million below budget as a result of projected revenue declines.

The Controller's Office projects a net departmental operating surplus of \$123.7 million. At the time of the Six-Month report, several departments anticipated requesting overtime supplemental appropriations in annual operating funds, as required by Administrative Code Section 3.17. This requirement is currently superseded by the Mayor's Emergency Declaration.

Given a significant projected revenue shortfall and as permitted by the authorizing legislation, the Controller has suspended deposits to the Citywide Budget Savings Incentive Fund, and no deposits to other reserves are projected. The funded level of the City's economic stabilization reserves remains at the target of 10% of General Fund revenue, absent appropriation of these reserves by policymakers. Due to revenue losses in fiscal year 2019-20 and high levels of excess ERAF revenues received in the prior fiscal year, the value of the 10% cap has fallen by \$66.8 million in fiscal year 2019-20, which causes the \$66.8 million in excess of the cap to be shifted into the Budget Stabilization One-Time Reserve.

Based on the above assumptions and projections, the Nine-Month Report anticipates an ending available General Fund balance for fiscal year 2019-20 of \$85.5 million.

The budget outlook for fiscal years 2020-21 to 2023-24 described below assumes \$331.7 million in available fund balance is drawn down to reduce shortfalls in those years. This balance is based upon estimates of available balance as of the City's January 2020 projection report for those years.

The difference between current and previous estimates of ending available fund balance for fiscal year 2019-20 totals is \$246.2 million. The Mayor's Office introduced a rebalancing plan to bridge this loss in May 2020. To the extent that the rebalancing plan offsets this projected loss of fund balance, the ending balance for fiscal year 2019-20 will be restored to \$331.7 million, consistent with assumptions for subsequent fiscal year projections below.

FY 2020-21 – FY 2023-24 Budget Outlook. The table below describes the changes since the City's January Joint Report:

**Summary Changes to Updated Projected Budgetary Surplus / (Shortfall),
cumulative, as compared to January 2020 Projection
(\$ in millions)**

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Sources - Revenue and Fund Balance	(739.2)	(534.2)	(479.2)	(419.1)
Uses - Baselines & Reserves	138.4	75.5	97.9	77.1
Uses - Salaries & Benefits	43.0	(37.8)	(76.6)	(87.0)
Uses - Citywide Operating Budget Costs	1.4	6.2	0.9	(0.9)
Uses - Departmental Costs	(2.1)	(20.9)	(28.4)	(28.0)
Total Cumulative Change	(558.6)	(511.2)	(485.3)	(457.9)

Change in Two Year Deficit (1,069.8)

Certain of the explanations provided in the May Update regarding changes to projected revenue sources and uses are summarized below.

SOURCES – Revenue and Fund Balance:

- **Use of Fund Balance.** The current projection is the same as the January projection, assuming the use of \$331.7 million of fund balance, as well as the entirety of the fund balance draw down reserve. To achieve this level of fund balance, the May Update notes that policymakers will need to eliminate the fiscal year 2019-20 shortfall of \$246.2 million, as described above.

- *Citywide Revenue.* The current projection includes significant downward revisions of revenue. Changes to major sources of revenue are detailed below:

- *Property Tax Revenue.* Changes in property tax revenues lag other recessionary revenue losses due to statutory deadlines. Fiscal year 2019-20 taxable values reflect the lower of either the current market value of the property as of the January 1, 2019 lien date or the property's base year value (when first acquired or new construction improvements completed) plus accumulated annual inflation (capped at 2% per year) since that base year. Taxable values for fiscal 2020-21 were set as of the January 1, 2020 lien date. The first upcoming fiscal year that may reflect negative economic conditions is fiscal year 2021-22 with a lien date of January 1, 2021.

Over two-thirds of the fiscal 2019-20 secured taxable value of San Francisco real estate is comprised of either single or multi-unit residential properties. Due to Proposition 13 limitations on reassessments, the median taxable value of single-family dwellings of \$590,000 in San Francisco is well below recent median market sales prices above \$1 million, and most valuations will continue to increase with California Consumer Price Index (CPI). The revenue risk from declining residential property market values would stem largely from new construction and recently sold properties with taxable base year valuations set near their full market values. Given restrictions on travel and commerce and the move toward telecommuting, hotel and commercial retail property values appear to be at greatest risk of reduction, followed by office space.

Although there is little argument for reductions to values as of the January 1, 2020 lien date, there is a risk that legislators may approve changes (e.g. SB 1431) that would allow the COVID-19 public health emergency to be considered a misfortune and calamity for commercial properties such as hotels, retail, and office that could result in material losses of property tax revenue. Multi-unit residential buildings values would not be immune from downward revision if harmed by the emergency.

Fiscal year 2021-22 General Fund property tax revenues are projected to be \$1,819.0 million. This is the first fiscal year that COVID-19 is anticipated to substantially impact property tax revenues. Automatic inflationary increases to taxable values, usually assumed at the 2% Prop 13 limit, have been reduced to 1%, and hotel, retail, and office assessed values are assumed reduced by \$8.5 billion, reflecting declines of about 20%, 20%, and 7%, respectively. A 20% reduction in unsecured business property tax assessments is included in the projection, reflecting the possibility that many businesses will dissolve prior to the January 1, 2021 lien date.

Fiscal year 2022-23 and fiscal year 2023-24 General Fund property tax revenues are projected to be \$1,922 million and \$2,037 million, respectively, assuming California CPI will provide the Proposition 13 capped 2% growth in secured property taxable valuations along with 2% growth from changes in ownership that result taxable values set to higher market rates.

- *Business Tax.* Business tax revenue in fiscal year 2019-20 will be negatively affected by COVID-19. The May Update projection of fiscal year 2019-20 business tax revenue is \$843.5 million rather than the March Joint Report Update amount of \$1,056.9

million for three main reasons. First, the due date for business registration fees was delayed from May 31 to September 30. There will now be two years of business registration fees received in fiscal year 2020-21. Second, the payroll tax is calculated based on work performed within San Francisco. With the Shelter-in-Place order, more people are telecommuting from home rather than commuting into the City. Because far more workers commute into the City than out of it, Shelter-in-Place reduces payroll tax revenue. Moreover, more than half of San Francisco businesses use their San Francisco payroll as a factor to determine their gross receipts subject to the gross receipts tax. As their San Francisco payroll falls, gross receipts tax revenue will also fall. Third, businesses have the option of paying the first and second quarter payments for tax year 2020 that businesses remit in April and July 2020 for revenue in fiscal year 2019-20 based on their fiscal year 2019-20 liability, if it is lower than the prior year.

Because of the shift in business registration fees from fiscal year 2019-20 to fiscal year 2020-21 offset by a continued decline in business tax revenue due to telecommuting, the City's projection for fiscal year 2020-21 revenue will increase \$136.5 million over the prior year, from \$843.5 million to \$980.0 million. It is expected that COVID-19 will continue to impact business tax revenue beyond fiscal year 2020-21 and the May Update projects fiscal year 2021-22 business tax revenue of \$995.5 million, an increase of 1.6% over the prior year; fiscal year 2022-23 revenue of \$1,011.7 million, an increase of 1.6%; and fiscal year 2023-24 revenue of \$1,026.4 million, an increase of 1.5%.

There remains significant short-term and long-term uncertainty in business tax revenue due to the effects of COVID-19. In the short-term, Shelter-in-Place rules could be extended, to varying degrees, until more therapeutics are developed to treat the disease or a vaccine is available to prevent the disease. Businesses could expand their use of telecommuting even after Shelter-in-Place rules have ended, which would lower both payroll and gross receipts revenue. The long-term risk is that the economy will be subject to future closings and even after, recover very slowly, given the magnitude of job losses to date and expected business closures.

- Local Sales Tax and State Sales Tax Subventions. In fiscal year 2020-21, the May Update projection assumes a more moderate sales decrease from pre-COVID-19 levels in July to September to a 50% reduction for restaurants and bars and 25% for all other sectors, and a 25% reduction for restaurants and bars and 10% for all other sectors into December. Beyond fiscal 2020-21, consumer spending is expected to slowly recover, and sales tax is anticipated to rise to \$190.0 million by fiscal year 2023-24, which would still be 11.1% below the fiscal year 2018-19 peak.
- Hotel Room Tax. The May Update projection assumes a decline in revenue per available room (RevPAR) of 38% in the first quarter (January to March), and a 90% decrease into September 2020, 75% in the fourth quarter (October to December), 30% through June 2022, and 20% through the end of FY 2022-23. The hotel industry is anticipated to slowly recover; hotel tax across all funds is projected to be \$402.3 million in fiscal year 2023-24, still below the prior peak, with \$363.2 million in the General Fund, \$29.2 million (7.4%) less than that in fiscal year 2018-19.

- *Real Property Transfer Tax.* In fiscal year 2020-21, the May Update continues to assume dampened commercial real estate activity through the first half of the fiscal year, with monthly receipts of \$15 million, rising to \$21 million per month in the second half of the year. Transfer tax is assumed to return its long-term historical average of \$253.4 million by fiscal year 2021-22 and remain at that level through fiscal year 2023-24.
- *Department of Public Health Revenue.* In addition to the January assumptions, the current projection includes a new one-time reduction of public health revenues of \$80.2 million in fiscal year 2020-21, recovering in the following year. This amount mostly represents lost patient and Medi-Cal revenue due to the cancellation and deferral of elective medical visits as a result of the health emergency.

USES – Salaries and Benefits

- *Labor Agreements.* The May Update assumes contracts for Police and Firefighter unions remain closed through fiscal year 2020-21, and contracts for miscellaneous unions remain closed through fiscal year 2021-22. The May Update assumes the six-month delay of wage increases set to go into effect in July 2020 and December 2020, consistent with language in negotiated memorandums of understanding (MOUs) regarding current fiscal conditions.
- *Retirement Benefits – Employer Contribution Rates.* Changes in the assumed employer contribution rates for SFERS are a significant driver in the change in salary and benefits costs as compared to the January 2020 report. The projection reflects the employer contribution rate set by the Retirement Board in February 2020 for the upcoming fiscal year 2020-21, resulting in a savings of \$5.6 million compared to January. For the remaining years of the projection, the report assumes investment returns of -5.0% in fiscal year 2019-20 as a result of poor market performance due to the COVID-19 emergency, as opposed to the 7.4% rate of returns assumed in January. These losses result in projected increased year-over-year costs of \$26.9 million in fiscal year 2021-22 and an additional \$30.7 million in fiscal year 2022-23 versus the January projection.
- *Health Benefits for Active Employees and Retirees.* The update includes a number of changes to the cost of health benefits for active employees and retirees. In January 2020, the average health rate increases for active and retirees was approximately 6.0% across the projection period; in this update, average health rates are projected to increase to 6.7%. For active employees, health rates were increased modestly from the January report to account for projected increases in health care costs. For retirees, the update includes increased retiree health costs in fiscal year 2020-21 to reflect actual retiree health costs in fiscal year 2019-20, and then assumes increased rates in the final three years of the projection. The May Update report also assumes the elimination of the so-called Cadillac Tax, which was repealed by Congress in December 2019, reducing expected costs of health care. Together, these changes result in an additional year-over-year increase of \$8.7 million in fiscal year 2020-21, \$2.1 million in fiscal year.

USES – Departmental Costs

- These changes are primarily due to a projected increased General Fund subsidy for the Moscone Convention Center and increased cost for entitlements and other benefits, offset by some savings in the annualization of fiscal year 2019-20 supplementals.

Emergency Expenditure and Revenue. The City’s response to the COVID-19 public health emergency has been extensive, and has involved significant public health, emergency management, shelter and temporary housing, and social and economic support programs. The May Update summarizes projection of these costs during fiscal year 2019-20 and provides a preliminary assessment of possible spending levels in fiscal year 2020-21.

City costs and encumbrances for the effort in the fiscal year ending June 30, 2020 are projected to total \$372.2 million. These expenses are expected to be offset in part by projected FEMA reimbursements, local philanthropy, and other sources of approximately \$231.9 million. The remaining projected shortfall of \$140.8 million will likely be covered by one-time allocations available from the CARES Act, but largely deplete the value of those allocations available to support those expenditures in coming fiscal years.

City costs for fiscal year 2020-21, and potentially beyond, are largely unknown at this time, but are likely to be significant. The level of costs will depend on the intensity and duration of local health risks in the next phases of the COVID-19 emergency and the investment in strategies to mitigate this risk. For illustration, if current spending rates are sustained for the coming fiscal year, local costs remaining after FEMA reimbursement would total approximately \$470 million. If costs drop to 25% of current spending levels, the local share after FEMA reimbursement would total approximately \$85 million. Local costs pressures will rise if the duration of FEMA reimbursements, which is tied to the federally-declared national emergency, is shortened.

The table below summarizes projected expenditures and revenues related to the City’s emergency response efforts to mitigate, prepare for, and respond to the spread of COVID-19, and to provide immediate relief and assistance to San Francisco residents and workers. The figures represent projected expenditures and revenues for the fiscal year ending on June 30, 2020. The City projects fiscal year 2019-20 expenditures and encumbrances totaling \$372.7 million, offset by projected claims to FEMA, local philanthropic allocations to date, and some state or federal sources that have already been allocated for specific programs of \$231.9 million. The City projects that the remaining fiscal year 2019-20 shortfall of \$140.8 million can be covered in fiscal year 2019-20 by available one-time allocations of \$183.2 million from the CARES Act Coronavirus Relief Fund and the State’s Senate Bill 89. However, this will largely exhaust these CARES Act allocations, resulting in uncertainty as to funding for continued emergency response costs in FY 2020-21.

[Remainder of Page Intentionally Left Blank]

FY 2019-20 COVID-19 Response Expenditures & Revenues
(\$ in millions)

	Total Cost	FEMA & Other	Net Local
Expenditures			
Health system costs	177.7	132.5	45.2
Shelter and housing programs	91.6	46.2	45.4
Emergency operations and staffing	30.7	10.7	20.0
Economic and social relief programs	72.7	42.5	30.2
Subtotal, Expenditures	372.7	231.9	140.8
Other Federal & State Sources			
CARES Act - State & Local Governments			153.8
CARES Act - Other allocations			22.0
State Senate Bill 89 - Emergency homelessness funding			7.4
Subtotal, Other Federal & State Sources			183.2
Balance of CARES Act Funding for Response Costs in FY 2020-21			42.4

Threat of Extended Recession

Following the widespread shutdown of businesses and supply chain disruption in response to the COVID-19 pandemic, on June 8, 2020 the National Bureau of Economic Research announced that the US officially entered into a recession in February 2020. According to the California Employment Development Department, the State's unemployment rate hit a record high of 16.4% in April 2020 before decreasing slightly in May 2020 to 16.3%. In the "Great Recession" occurring nationally from December 2007 to June 2009 (according to the U.S. National Bureau of Economic Research), California real GDP growth slowed for five consecutive quarters from the third quarter of 2008 to the third quarter of 2009 and did not return to pre-recession level of output until three years later in the third quarter of 2012. The unemployment rate rose steadily from 4.9 percent in the fourth quarter of 2006 to peak at 12.3 percent in the fourth quarter of 2010 and did not return to the pre-recession level until the second quarter of 2017. More than a third of California jobs are in sectors that are immediately vulnerable to stay-at-home disruptions.

Impact of the State of California Budget on Local Finances

On June 26, 2020, the Governor signed the State of California's fiscal year 2020-21 budget, which closed a \$54.3 billion shortfall from the May Revise. The State's FY 2020-21 General Fund budget of \$133.9 billion is \$13.0 billion (or 8.9 percent) less than FY 2019-20. The most significant anticipated losses in the State's General Fund sources include Personal Income Tax (decrease of \$18 billion or 18.8 percent) and Sales and Use tax (decrease of 4.4 billion or 17.5 percent). The State subvenes portions of its revenue to counties; thus, when the State experiences revenue loss, so do counties.

The greatest known impact of the State budget on the City's General Fund budget is the reduction of 1991 and 2011 realignment funding, which supports health, human services, and public safety agencies. For FY 2020-21, the loss to the City is projected to total approximately \$40 million, compared to the City's pre-COVID projection in the January 2020 Joint Report. However, the City's share of the State's temporary backfill is expected to be \$28 million, partially offsetting this loss. In addition, the State is passing its share of federal Coronavirus Relief Fund monies to counties. San Francisco is expected to receive \$20.3 million from this source.

Education trailer bill language published with Governor Newsom's May 2020 budget revision would have amended state code to allow the California Department of Finance to adopt guidelines for counties to use in the allocation of excess ERAF and to impose retroactive civil penalties for calculations deemed not in compliance with this future guidance. The bill was amended to eliminate civil penalties and create a process under which the State Controller, which regularly audits all counties' allocations of property tax revenue, will adopt guidelines by the end of December 2020, applicable to fiscal years 2019-20 and forward only. While the State Controller's directions on the treatment of charter schools and redevelopment tax increment in ERAF calculations may materially reduce the City's excess ERAF revenue, the legislature did not eliminate excess ERAF outright; this provides some indication that while reduced, the revenue will be ongoing.

Impact of the Federal Government on Local Finances

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

[Remainder of page intentionally left blank]

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

For supplemental information as of the date of this Official Statement, please see “RECENT DEVELOPMENTS” for a discussion of the expected material adverse impacts on the City’s General Fund of the COVID-19 Emergency.

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

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

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

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

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 make an informed investment decision. As described in “RECENT DEVELOPMENT—COVID-19,” the COVID-19 pandemic has had and is expected to continue to have a materially adversely impact financial condition of the City’s General Fund.

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

Page	TABLE OF CONTENTS.....	A-1
	CITY GOVERNMENT.....	A-3
	City Charter	A-3
	Mayor	A-4
	Board of Supervisors.....	A-4
	Other Elected and Appointed City Officers.....	A-5
	CITY BUDGET	A-6
	Overview	A-6
	Budget Process.....	A-9
	Multi-Year Budgeting and Planning	A-10
	Role of Controller in Budgetary Analysis and Projections	A-11
	General Fund Results: Audited Financial Statements.....	A-11
	Rainy Day Reserve.....	A-13
	Budget Stabilization Reserve	A-13
	General Reserve	A-14
	Budget Savings Incentive Reserve	A-14
	Salaries, Benefits and Litigation Reserves.....	A-14
	Operating Cash Reserve.....	A-15
	Five-Year Financial Plan	A-17
	Fiscal Year 2019-20 Six-Month Budget Status Report	A-19
	City Budget Adopted for Fiscal Years 2019-20 and 2020-21	A-20
	City Budget Adopted for Fiscal Years 2020-21 and 2021-22	A-20
	BUDGETARY RISKS.....	A-20
	Material Adverse Impacts of the COVID-19 Emergency.....	A-20
	Impact of Bankruptcy Filing by the Pacific Gas and Electric Company (PG&E).....	A-20
	Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances	A-21
	Impact of the State of California Budget on Local Finances	A-22
	Impact of Federal Government on Local Finances	A-23
	THE SUCCESSOR AGENCY.....	A-24
	GENERAL FUND REVENUES.....	A-24
	PROPERTY TAXATION.....	A-25
	Property Taxation System – General.....	A-25
	Assessed Valuations, Tax Rates and Tax Delinquencies.....	A-25
	Tax Levy and Collection	A-29
	Taxation of State-Assessed Utility Property	A-31
	OTHER CITY TAX REVENUES.....	A-31
	Business Taxes	A-32
	Transient Occupancy Tax (Hotel Tax)	A-33
	Real Property Transfer Tax	A-34
	Sales and Use Tax	A-35
	Other Local Taxes	A-37
	INTERGOVERNMENTAL REVENUES.....	A-38
	State Subventions Based on Taxes	A-38
	CITY GENERAL FUND PROGRAMS AND EXPENDITURES	A-39
	General Fund Expenditures by Major Service Area	A-39

Voter-Mandated Spending Requirements.....	A-40
EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS.....	A-42
Labor Relations	A-42
San Francisco Employees’ Retirement System (“SFERS” or “Retirement System”)	A-45
Medical Benefits	A-52
Total City Employee Benefits Costs	A-57
INVESTMENT OF CITY FUNDS.....	A-58
CAPITAL FINANCING AND BONDS	A-60
Capital Plan	A-60
Tax-Supported Debt Service – City General Obligation Bonds	A-61
Authorized but Unissued City GO Bonds	A-63
Refunding General Obligation Bonds.....	A-64
General Fund Lease Obligations	A-66
Voter-Approved Lease Revenue Bonds	A-68
Board Authorized and Unissued Long-Term Certificates of Participation.....	A-70
Commercial Paper Program.....	A-70
Transbay Transit Center Interim Financing.....	A-71
Overlapping Debt.....	A-71
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES	A-73
Article XIII A of the California Constitution.....	A-73
Article XIII B of the California Constitution.....	A-74
Articles XIII C and XIII D of the California Constitution	A-74
Proposition 1A	A-75
Proposition 22.....	A-76
Proposition 26.....	A-76
Future Initiatives and Changes in Law	A-77
LEGAL MATTERS AND RISK MANAGEMENT.....	A-78
Pending Litigation	A-78
Ongoing Investigations	A-78
Risk Retention Program	A-80

CITY GOVERNMENT

City Charter

San Francisco is constituted as a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California (the “State”) and is the only consolidated city and county in the State. In addition to its powers under its charter in respect of municipal affairs granted under the State Constitution, San Francisco generally can exercise the powers of both a city and a county under State law. On April 15, 1850, several months before California became a state, the original charter was granted by territorial government to the City. New City charters were adopted by the voters on May 26, 1898, effective January 8, 1900, and on March 26, 1931, effective January 8, 1932. In November 1995, 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 TK-12) (“SFUSD”) and the San Francisco Community College District (post-secondary) (“SFCCD”). Each is a separate legal entity with a separately elected governing board.

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

Under its original charter, the City committed to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated 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. SFO, the Port, the PUC (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 annually significant General Fund transfers.

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

Mayor

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

Board of Supervisors

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

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO		
Board of Supervisors		
Name	First Elected or Appointed	Current Term Expires
Sandra Lee Fewer, <i>District 1</i>	2017	2021
Catherine Stefani, <i>District 2</i>	2018	2023
Aaron Peskin, <i>District 3</i>	2017	2021
Gordon Mar, <i>District 4</i>	2019	2023
Dean Preston, <i>District 5</i>	2019	2020
Matt Haney, <i>District 6</i>	2019	2023
Norman Yee, Board President, <i>District 7</i>	2017	2021
Rafael Mandelman, <i>District 8</i>	2018	2023
Hillary Ronen, <i>District 9</i>	2017	2021
Shamann Walton, <i>District 10</i>	2019	2023
Asha Safai, <i>District 11</i>	2017	2021

Other Elected and Appointed City Officers

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

The Assessor-Recorder administers the property tax assessment system of the City. Carmen Chu was re-elected to a four-year term as Assessor-Recorder of the City in November 2018. Before becoming Assessor-Recorder, Ms. Chu was elected in November 2008 and November 2010 to the Board of Supervisors, representing the Sunset/Parkside District 4 after being appointed by then-Mayor Gavin Newsom in September 2007.

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

The City Controller is responsible for timely accounting, disbursement, and other disposition of City moneys, certifies the accuracy of budgets, estimates the cost of ballot measures, provides payroll services for the City's employees, and, as the Auditor for the City, directs performance and financial audits of City activities. Benjamin Rosenfield was appointed to a ten-year term as Controller of the City by then-Mayor Newsom in March 2008 and was confirmed by the Board of Supervisors in accordance with the Charter. Mr. Rosenfield was reappointed by then-Mayor Mark Farrell to a new ten-year term as Controller in 2017, and his nomination was confirmed by the Board of Supervisors on May 1, 2018. Before becoming Controller, Mr. Rosenfield served as the Deputy City Administrator under former City Administrator Edwin Lee from 2005 to 2008. He was responsible for the preparation and monitoring of the City's ten-year capital plan, oversight of a number of internal service offices under the City Administrator and implementing the City's 311 non-emergency customer service center. From 2001 to 2005, Mr. Rosenfield worked as the Budget Director for then-Mayor Willie L. Brown, Jr. and then-Mayor Newsom. As Budget Director during that period, Mr. Rosenfield prepared the City's proposed budget for each fiscal year and worked on behalf of the Mayor to manage City spending during the course of each year. From 1997 to 2001, Mr. Rosenfield worked as an analyst in the Mayor's Budget Office and as a project manager in the Controller's Office.

The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. The City Administrator oversees the General Services Agency consisting of 25 departments, divisions, and programs that include the Public Works Department, Department of Technology, Office of Contract Administration/Purchasing, Real Estate, County Clerk, Fleet Management, Convention Facilities, Animal Care and Control, Medical Examiner, and Treasure Island. Naomi M. Kelly was appointed to a five-year term as City Administrator by then-Mayor Lee in February of 2012, following her brief role as Acting City Administrator. Ms. Kelly was re-appointed for a second five-year term on February 8, 2017. Prior to her City Administrator position, Ms. Kelly was appointed City Purchaser and Director of the Office of Contract Administration by Mayor Newsom. She previously served as Special Assistant in the Mayor's Office of

Neighborhood Services, and the Office of Policy and Legislative Affairs, under Mayor Brown. She also served as the City's Executive Director of the Taxicab Commission. Ms. Kelly, a native San Franciscan, is the first woman and African American to serve as City Administrator of the City. She received her undergraduate and law degrees, respectively, from New York University and the University of San Francisco. Ms. Kelly is a member of the California State Bar.

CITY BUDGET

Overview

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

On August 1, 2019, the City adopted its two-year budget. The City's fiscal year 2019-20 adopted budget appropriated annual revenues, fund balance, transfers and reserves of approximately \$12.3 billion, of which the City's General Fund accounts for approximately \$6.1 billion. The City's fiscal year 2020-21 adopted budget appropriated revenues, fund balance, transfers and reserves of approximately \$12.0 billion, of which approximately \$6.0 billion represents the General Fund budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2016-17 through 2018-19 and the Original Budgets for fiscal years 2019-20. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein. For detailed discussion of the fiscal years 2019-20 adopted budget, see "City Budget Adopted for Fiscal Years 2019-20" herein.

As described in "RECENT DEVELOPMENTS," economic and tax revenue losses associated with the COVID-19 Emergency have been stark and immediate, and the COVID-19 Emergency is expected to have material adverse impacts on the projections and budget information provided in in this APPENDIX A. See "RECENT DEVELOPMENTS – May Update Report" for a discussion of current projections of the magnitude of the financial impact of the COVID-19 Emergency on the City. The COVID-19 Emergency is expected to result in significant shortfalls in Fiscal Years 2019-20 and 2020-21 (as compared to the Original Budgets for such years). The information with respect to Fiscal Year 2019-20, Fiscal 2020-21 and future fiscal years was prepared prior to the COVID-19 Emergency and does not reflect the anticipated revenue shortfalls and related fiscal pressures.

As described in “RECENT DEVELOPMENTS – Modifications to Budget Calendar,” on June 1, 2020, the Mayor introduced and on June 30, 2020 the Board of Supervisors approved a balanced interim budget for fiscal years 2020-21 and 2021-22, which will remain in effect until the final budget is adopted by October 1, 2020. The Mayor plans to introduce the revised full two-year fiscal year 2020-21 and fiscal year 2021-22 balanced budget by August 1, 2020. Following the Budget and Finance Committee Phase and the full Board phase, the budget is planned to go to Mayor Breed for her approval and signature by October 1, 2020.

[Remainder of Page Intentionally Left Blank]

TABLE A-2*

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2016-17 through 2019-20
(000s)

	2016-17 Final Revised Budget	2017-18 Final Revised Budget	2018-19 Final Revised Budget ⁶	2019-20 Original Budget ⁷
Prior-Year Budgetary Fund Balance & Reserves	\$1,526,830	\$1,999,334	\$2,342,082	\$299,880
<u>Budgeted Revenues</u>				
Property Taxes ¹	\$1,412,000	\$1,557,000	\$2,142,727	\$1,956,008
Business Taxes	669,450	750,820	879,414	1,050,620
Other Local Taxes ²	1,126,245	1,112,570	1,053,390	1,144,376
Licenses, Permits and Franchises	28,876	29,964	30,794	30,431
Fines, Forfeitures and Penalties	4,671	4,579	3,131	3,125
Interest and Investment Earnings	13,971	18,615	20,323	76,590
Rents and Concessions	15,855	14,089	14,896	15,141
Grants and Subventions	978,252	965,549	1,072,205	1,088,615
Charges for Services	235,491	242,842	263,340	245,222
Other	58,776	40,130	268,855	69,424
Total Budgeted Revenues	\$4,543,587	\$4,736,158	\$5,749,075	\$5,679,551
Bond Proceeds & Repayment of Loans	\$881	\$110	\$87	-
<u>Expenditure Appropriations</u>				
Public Protection	\$1,266,148	\$1,316,870	\$1,390,266	\$1,493,084
Public Works, Transportation & Commerce	166,295	238,564	214,928	208,755
Human Welfare & Neighborhood Development	978,126	1,047,458	1,120,892	1,183,587
Community Health	763,496	832,663	967,113	950,756
Culture and Recreation	139,473	142,081	154,056	173,969
General Administration & Finance	252,998	259,916	290,274	596,806
General City Responsibilities ³	134,153	114,219	172,028	193,971
Total Expenditure Appropriations	\$3,700,689	\$3,951,771	\$4,309,557	\$4,800,929
Budgetary reserves and designations, net	\$9,868	\$0	\$0	29,880
Transfers In	\$246,779	\$232,032	\$239,056	163,455
Transfers Out ⁴	(857,528)	(1,009,967)	(1,468,021)	(1,312,077)
Net Transfers In/Out	(\$610,749)	(\$777,935)	(\$1,228,965)	(\$1,148,622)
Budgeted Excess (Deficiency) of Sources				
Over (Under) Uses	\$1,749,993	\$2,005,897	\$2,552,722	-
Variance of Actual vs. Budget	249,475	336,422	374,136	-
Total Actual Budgetary Fund Balance ⁵	\$1,999,468	\$2,342,319	\$2,553,096	-

¹ The City's final budget for FY 2018-19 property tax included \$414.7 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue, representing 2 years of Excess ERAF. In FY 2019-20, the City budgeted \$185.0 million of "Excess Educational Revenue Augmentation Fund (ERAF) revenue. In the following year, no excess ERAF revenue is assumed given the risk of entitlement formula volatility, potential cash flow changes, and possible modifications to local property tax revenue allocation laws by the State. Please see Property Tax section for more information about Excess ERAF.

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

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

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

⁵ Fiscal year 2016-17 through fiscal year 2018-19 Final Revised Budget reflects prior year *actual* budgetary fund balance. Fiscal year 2019-20 Original Budget reflects *budgeted* use of fund balance and reserve.

⁶ FY 2018-19 Final Revised Budget updated from FY 2018-19 CAFR.

⁷ FY 2019-20 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.

* As described in "RECENT DEVELOPMENTS," as a result of the COVID-19 Emergency, the estimates and projections in City's 2019-20 Original Budget have been materially adversely impacted by the COVID-19 Emergency.

Budget Process

The following paragraphs contains a description of the City's customary budget process. As described in "RECENT DEVELOPMENTS – Modifications to Budget Calendar," due to the current COVID-19 pandemic, the City's budget timeline will be delayed for two months. Mayor Breed reissued Budget Instructions to departments in May, and Departments will be instructed to submit new department proposals to aid the Mayor in developing her balanced budget in June and July. On June 1, 2020 the Mayor introduced and on June 30, 2020 the Board of Supervisors approved a balanced interim budget for fiscal years 2020-21 and 2021-22, which will remain in effect until the final budget is adopted by October 1, 2020. The Mayor plans to introduce the full two-year fiscal year 2020-21 and fiscal year 2021-22 balanced budget by August 1, 2020. Following the Budget and Finance Committee Phase and the full Board phase, the budget is planned to go to Mayor Breed for her approval and signature by October 1, 2020.

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

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

The City is required by the Charter to adopt 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 fiscal year.

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

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

Multi-Year Budgeting and Planning

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

1. Fixed two-year budgets are approved by the Board of Supervisors for five departments: SFO, Child Support Services, the Port, the PUC and MTA. All other departments prepare balanced, rolling two-year budgets for Board approval. For all other departments, the Board annually approves appropriations for the next two fiscal years.
2. Five-year financial plan and update, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The most recent five-year financial plan update, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, the Budget Analyst for the Board of Supervisors and Controller’s Office on January 3, 2020, for fiscal year 2020-21 through fiscal year 2023-24. See “Five Year Financial Plan” section below.
3. The Controller’s Office proposes to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster recovery and 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. Key financial policies include:
 - Non-Recurring Revenue Policy - This policy limits the Mayor’s and Board’s ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance, the General Fund share of revenues from prepayments provided under long- term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for or expectation of substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City’s capital plans, development of affordable housing, and discretionary payment of pension, debt or other long-term obligations.
 - Rainy Day and Budget Stabilization Reserve Policies – These reserves were established to support the City’s budget in years when revenues decline. These and other reserves (among many others) are discussed in detail below. Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for fiscal year 2019-20 exceed total General Fund revenues for the prior year by more than five percent. Similarly, if budgeted revenues exceed fiscal year 2019-20 revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues. These and other reserves are discussed under Rainy Day Reserve and Budget Stabilization Reserve below.

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

Role of Controller in Budgetary Analysis and Projections

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

In addition to the five-year planning responsibilities discussed above, Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. Each year, the Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The Controller issued the first of these reports, the fiscal year 2019-20 Six Month Report (the "Six Month Report"), in February 2020 issued the second of these reports, the fiscal year 2019-20 Nine Month Report (the "Nine Month Report" or the "May Update Report") in May 2020. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's proposed budget.

General Fund Results: Audited Financial Statements

The City's most recently completed Comprehensive Annual Financial Report (the "CAFR," which includes the City's audited financial statements) for fiscal year 2018-19, was issued on December 31, 2019. The fiscal year 2018-19 CAFR reported that as of June 30, 2019, the General Fund fund balance available for appropriation in subsequent years was \$812.7 million (see Table A-4), which represents a \$196.1 million increase in available fund balance from the \$616.6 million available as of June 30, 2018. This increase resulted primarily from greater-than-budgeted property tax revenue given unanticipated Excess ERAF allocations, real property transfer tax revenue, and operating surpluses at the Department of Public Health, which was partially offset by under-performance in business tax revenues in fiscal year 2018-19. The COVID-19 Emergency may negatively impact the availability of Excess ERAF contributions, as described in "RECENT DEVELOPMENTS - Impact of the State of California Budget on Local Finances."

The audited General Fund fund balance as of June 30, 2019 was \$2.7 billion (shown in Tables A-3 and A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of \$5.9 billion. The City prepares its budget on a modified accrual basis, which is also referred to as "budget basis" in the CAFR. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. Table A-3 focuses on a

specific portion of the City's balance sheet; audited General Fund fund balances are shown on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2015 through June 30, 2019. See Note 10 of the CAFR for additional information on fund balances and reserves.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO					
Summary of Audited General Fund Fund Balances					
Fiscal Years 2014-15 through 2018-19 ¹					
(000s)					
	2014-15	2015-16	2016-17	2017-18	2018-19
Restricted for rainy day (Economic Stabilization account) ²	\$71,904	\$74,986	\$78,336	\$89,309	\$229,069
Restricted for rainy day (One-time Spending account) ²	43,065	45,120	47,353	54,668	95,908
Committed for budget stabilization (citywide) ³	132,264	178,434	323,204	369,958	396,760
Committed for Recreation & Parks savings reserve ⁴	10,551	8,736	4,403	1,740	803
<u>Assigned, not available for appropriation</u>					
Assigned for encumbrances	\$137,641	\$190,965	\$244,158	\$345,596	\$351,446
Assigned for appropriation carryforward	201,192	293,921	434,223	423,835	496,846
Assigned for budget savings incentive program (Citywide) ⁴	33,939	58,907	67,450	73,650	86,979
Assigned for salaries and benefits ⁵	20,155	18,203	23,051	23,931	28,965
Total Fund Balance Not Available for Appropriation	\$650,711	\$869,272	\$1,222,178	\$1,382,687	\$1,686,776
<u>Assigned and unassigned, available for appropriation</u>					
Assigned for litigation & contingencies ⁵	\$131,970	\$145,443	\$136,080	\$235,925	\$186,913
Assigned for subsequent year's budget	180,179	172,128	183,326	188,562	210,638
Unassigned for General Reserve ⁶	62,579	76,913	95,156	106,878	130,894
Unassigned - Budgeted for use second budget year	194,082	191,202	288,185	223,251	285,152
Unassigned - Contingency for second budget year	-	60,000	60,000	160,000	308,000
Unassigned - Available for future appropriation	16,569	11,872	14,409	44,779	8,897
Total Fund Balance Available for Appropriation	\$585,379	\$657,558	\$777,156	\$959,395	\$1,130,494
Total Fund Balance, Budget Basis	\$1,236,090	\$1,526,830	\$1,999,334	\$2,342,082	\$2,817,270
<u>Budget Basis to GAAP Basis Reconciliation</u>					
Total Fund Balance - Budget Basis	\$1,236,090	\$1,526,830	\$1,999,334	\$2,342,082	\$2,817,270
Unrealized gain or loss on investments	1,141	343	(1,197)	(20,602)	16,275
Nonspendable fund balance	24,786	522	525	1,512	1,259
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(37,303)	(36,008)	(38,469)	(25,495)	(23,793)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(50,406)	(56,709)	(83,757)	(68,958)	(87,794)
Deferred Amounts on Loan Receivables	(23,212)	-	-	-	-
Pre-paid lease revenue	(5,900)	(5,816)	(5,733)	(6,598)	(6,194)
Total Fund Balance, GAAP Basis	\$1,145,196	\$1,429,162	\$1,870,703	\$2,221,941	\$2,717,023

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

¹ Fiscal year 2019-20 will be available upon release of the fiscal year 2019-20 CAFR.

² Additional information in Rainy Day Reserves section of Appendix A, following this table.

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

⁴ Additional information in Budget Savings Incentive Reserve section of Appendix A, following this table.

⁵ Additional information in Salaries, Benefits and Litigation Reserves section of Appendix A, following this table.

The increase in FY18 was largely due to a small number of claims filed against the City with large known or potential settlement stipulations.

⁶ Additional information in General Reserves section of Appendix A, following this table.

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

The following sections describe various reserves maintained by the City. As described in “RECENT DEVELOPMENTS,” the COVID-19 Emergency has materially adversely impacted revenues in Fiscal Year 2019-20, and the Emergency is expected to materially adversely impact revenues in Fiscal Year 2020-21 and future fiscal years. The use of reserves is being considered by the City in connection with the development of the revised Fiscal Year 2020-21 and Fiscal Year 2021-22 budget, as described herein in “Budget Process.”

Rainy Day Reserve

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

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

Fiscal year 2018-19 revenue generated a deposit of \$139.8 million to the City Reserve and \$41.2 million to the Rainy Day One-Time Reserve. The FY 2018-19 ending balances are \$229.1 million and \$95.9 million, respectively, as shown in Table A-3. The combined balances of the Rainy Day Reserve’s Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund revenues as stated in the City’s most recent independent annual audit. Amounts in excess of that cap in any year will be placed in the Budget Stabilization One-Time Reserve, which is eligible to be allocated to capital and other one-time expenditures. Monies in the City Reserve are available to provide budgetary support in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year’s total General Fund revenues). Monies in the Rainy Day One-Time Reserve are available for capital and other one-time spending initiatives.

Budget Stabilization Reserve

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

Fiscal year 2018-19 revenue generated an overall deposit of \$26.8 million to the combined Budget Stabilization Reserve and Budget Stabilization One-Time Reserve. Because the City's combined Rainy Day Economic Stabilization Reserve and Budget Stabilization Reserve exceeds 10% of General Fund revenues for fiscal year 2018-19, the Budget Stabilization Reserve balance was capped in fiscal year 2018-19 at \$359.3 million and the City deposited the amount exceeding the cap, \$37.4 million, in the Budget Stabilization One-Time Reserve. Table A-3 reflects the sum of the Budget Stabilization Reserve and the Budget Stabilization One-Time Reserve in prior fiscal years.

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

General Reserve

The City maintains a General Reserve, shown as "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-3 above. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. The policy, originally adopted on April 13, 2010, set the reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues during economic downturns. The intent of this policy change was to increase reserves available during a multi-year downturn. The fiscal year 2017-18 balance of this reserve was \$106.9 million, as shown in Table A-3 above. In fiscal year 2018-19, \$20.4 million was budgeted and deposited for the General Fund Reserve, resulting in an ending balance of \$127.3 million. In fiscal year 2018-19, Table A-3 includes \$3.6 million in other reserve-type appropriations.

Budget Savings Incentive Reserve

The Charter requires reserving a portion of Recreation and Parks revenue surplus in the form of the Recreation and Parks Budget Savings Incentive Reserve, as shown with note 4 of Table A-3. The Administrative Code authorizes reserving a portion of departmental expenditure savings in the form of the Citywide Budget Savings Incentive Reserve, also referred to as the "Budget Savings Incentive Fund," as shown with note 4 of the "assigned, not available for appropriation" section of Table A-3. In fiscal year 2018-19, the Recreation and Parks Savings Reserve had a balance of \$0.8 million and the Citywide Budget Savings Incentive Reserve had a balance of \$87.0 million.

Salaries, Benefits and Litigation Reserves

The City maintains two types of reserves to offset unanticipated expenses and which are available to City departments through a Controller's Office review and approval process. These are shown with note 5 in the "assigned, not available for appropriation," and "assigned and unassigned, available for appropriation" sections of Table A-3 above. These include the Salaries and Benefit Reserve (balance of \$29.0 million as of Fiscal Year 2018-19), and the Litigation and Public Health Management Reserve (balance of \$186.9 million in Fiscal Year 2018-19).

Operating Cash Reserve

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

Table A-4, entitled "Audited Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's CAFR for the five most recent fiscal years. 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.

[Remainder of Page Intentionally Left Blank]

TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Audited Statement of Revenues, Expenditures and Changes in General Fund Fund Balances¹
Fiscal Years 2014-15 through 2018-19²
(000s)

	2014-15	2015-16	2016-17	2017-18	2018-19
Revenues:					
Property Taxes ³	\$1,272,623	\$1,393,574	\$1,478,671	\$1,673,950	\$2,248,004
Business Taxes	609,614	659,086	700,536	897,076	917,811
Other Local Taxes	1,085,381	1,054,109	1,203,587	1,093,769	1,215,306
Licenses, Permits and Franchises	27,789	27,909	29,336	28,803	27,960
Fines, Forfeitures and Penalties	6,369	8,985	2,734	7,966	4,740
Interest and Investment Income	7,867	9,613	14,439	16,245	88,523
Rents and Concessions	24,339	46,553	15,352	14,533	14,460
Intergovernmental	854,464	900,820	932,576	983,809	1,069,349
Charges for Services	215,036	233,976	220,877	248,926	257,814
Other	9,162	22,291	38,679	24,478	46,254
Total Revenues	\$4,112,644	\$4,356,916	\$4,636,787	\$4,989,555	\$5,890,221
Expenditures:					
Public Protection	\$1,148,405	\$1,204,666	\$1,257,948	\$1,312,582	\$1,382,031
Public Works, Transportation & Commerce	87,452	136,762	166,285	223,830	202,988
Human Welfare and Neighborhood Development	786,362	853,924	956,478	999,048	1,071,309
Community Health	650,741	666,138	600,067	706,322	809,120
Culture and Recreation	119,278	124,515	139,368	142,215	152,250
General Administration & Finance	208,695	223,844	238,064	244,773	267,997
General City Responsibilities	98,620	114,663	121,444	110,812	144,808
Total Expenditures	\$3,099,553	\$3,324,512	\$3,479,654	\$3,739,582	\$4,030,503
Excess of Revenues over Expenditures	\$1,013,091	\$1,032,404	\$1,157,133	\$1,249,973	\$1,859,718
Other Financing Sources (Uses):					
Transfers In	\$164,712	\$209,494	\$140,272	\$112,228	\$104,338
Transfers Out	(873,741)	(962,343)	(857,629)	(1,010,785)	(1,468,971)
Other Financing Sources	5,572	4,411	1,765	-	-
Other Financing Uses	-	-	-	(178)	(3)
Total Other Financing Sources (Uses)	(\$703,457)	(\$748,438)	(\$715,592)	(\$898,735)	(\$1,364,636)
Excess (Deficiency) of Revenues and Other Sources					
Over Expenditures and Other Uses	\$309,634	\$283,966	\$441,541	\$351,238	\$495,082
Total Fund Balance at Beginning of Year	\$835,562	\$1,145,196	\$1,429,162	\$1,870,703	\$2,221,941
Total Fund Balance at End of Year -- GAAP Basis	\$1,145,196	\$1,429,162	\$1,870,703	\$2,221,941	\$2,717,023
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	\$234,273	\$249,238	\$273,827	\$286,143	\$326,582
-- Budget Basis ⁴	\$390,830	\$435,202	\$545,920	\$616,592	\$812,687

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 Fiscal year 2019-20 will be available upon release of the fiscal year 2019-20 CAFR.

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

⁴ Fund balance available for appropriations of \$1.13 billion includes amounts Assigned for Litigation and Contingencies and Unassigned - General Reserve.

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

Five-Year Financial Plan

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

On January 3, 2020, the Mayor, Budget Analyst for the Board of Supervisors, and the Controller’s Office issued the Plan update for fiscal years 2020-21 through 2023-24 (“Original FY21-FY24 Plan”), which projected cumulative annual shortfalls of \$195.4 million, \$224.1 million, \$531.1 million, and \$630.6 million, for fiscal years 2020-21 through 2023-24, respectively. However, as a result of the COVID-19 Emergency, on March 31, 2020, the Mayor, Board of Supervisors Budget Analyst, and Controller released an update to the Original FY21-FY24 Plan (“March Joint Report Update”). The March Joint Report Update adopts the assumptions detailed in the Original FY21-FY24 Plan (which are described below), with updates for three significant changes since the initial issuance of the Original FY21-FY24 Plan: (1) improvement in current fund balance, as reported in the Controller’s Office Six Month Budget Status Report, (2) General Fund tax revenue losses associated with the emergency, and (3) reductions in voter-adopted baseline spending requirements given those revised revenue projections. The City issued a further update to its projections of the impact of the COVID-19 Emergency on May 13, 2020 (the “May Update”). The next full update of the City’s Five-Year Financial Plan is expected to be submitted in December 2020. Prior to that, the City anticipates releasing in August 2020 updated revenue projections to further account for impacts of the COVID Emergency.

The following information reflects the Original FY21-FY24 Plan as initially issued and does not reflect any of the material adverse impacts expected to result from the COVID-19 Emergency. See “RECENT DEVELOPMENTS – May Update Report,” for a description of the May Update.

The Original FY21-FY24 Plan projected growth in General Fund revenues over the forecast period of 6.9%, primarily composed of growth in local tax sources. The revenue growth was projected to be offset by projected expenditure increases of 17.2% over the same period, primarily composed of growth in employee wages and health care costs, citywide operating expenses, and Charter mandated baselines and reserves. The Original FY21-FY24 Plan projected growth in General Fund sources of \$423.6 million over the Original FY21-FY24 Plan period, and expenditure growth of \$1.05 billion. The composition of the projected shortfall is shown in Table A-5 below.

[Remainder of Page Intentionally Left Blank]

TABLE A-5*

CITY AND COUNTY OF SAN FRANCISCO
Five Year Financial Plan Update
Fiscal Years 2020-21 through 2023-24
(\$millions)

	2020-21	2021-22	2022-23	2023-24	% of Uses for 2023-24
Sources - Increase / (Decrease):	\$89.0	\$346.0	\$289.4	\$423.6	
Uses:					
Baselines & Reserves	(\$45.5)	(\$54.0)	(\$127.1)	(\$163.3)	15.5%
Salaries & Benefits	(167.9)	(269.6)	(338.5)	(407.5)	38.7%
Citywide Operating Budget Costs	(66.9)	(167.8)	(235.0)	(314.6)	29.8%
Departmental Costs	(3.9)	(78.8)	(119.9)	(168.8)	16.0%
Total Uses - (Increase) / Decrease:	(\$284.3)	(\$570.1)	(\$820.5)	(\$1,054.2)	100.0%
Projected Cumulative Surplus / (Shortfall):	(\$195.4)	(\$224.1)	(\$531.1)	(\$630.6)	

**Table A-5 is based on the pre-COVID Emergency Original FY21-FY24 Plan. See "RECENT DEVELOPMENTS" for a discussion of the May Update to the Original FY21-FY24 Plan, which reflects the City's preliminary projections of certain of the adverse impacts on the General Fund.*

The Original FY21-FY24 Plan incorporated the following key assumptions:

- Changes in Employer Contribution Rates to City Retirement System:** Consistent with SFERS' fiscal year 2018-19 results, projected employer contribution rates assume an 8.0% rate of return on SFERS investments for fiscal year 2018-19, 0.6% above the actuarially assumed rate of return of 7.4%. This better-than-expected return triggers an on-going supplemental COLA payment to certain retirees, which increases employer contributions in FY 2020-21. The Original FY21-FY24 Plan does not assume any changes to existing funding policy and amortizes the 2019 supplemental COLA over five years per current policy. As described in "RECENT DEVELOPMENTS," the COVID-19 Emergency has resulted in significant declines in the global and national stock markets. Contributions to SFERS are based upon an assumption of 7.4% investment returns each fiscal year. The City expects to finalize performance results for FY2019-20 in August 2020. On a preliminary basis, SFERS is projecting returns in the range of 2.00% to 2.25% for FY2019-20. To the extent that returns fall below the investment assumption level in the current and upcoming fiscal years, it will increase required City and employee contributions.
- Assumes previously negotiated wage increases and inflationary increases for open contracts in line with CPI:** The Original FY21-FY24 Plan assumes the additional salary and benefit costs for previously negotiated, closed labor agreements. Police and Firefighters' unions have closed MOUs through FY 2020-21. Miscellaneous unions have closed MOUs through FY 2021-22. In open contract years, this report projects salary increases equal to the change in CPI. This corresponds to 3.38% for FY 2021-22, 2.94% for FY 2022-23, and 2.90% for FY 2023-24.
- Property Tax Shifts:** The FY 2019-20 General Fund budget anticipates the City will receive "Excess ERAF" property tax allocations. The Original FY21-FY24 Plan assumes that the City will also receive Excess ERAF revenues in FY 2020-21, and in accordance with legislation adopted by the Mayor and Board of Supervisors will allocate at least 50% of these revenues to one-time purposes and 50% to affordable housing expenditures. Given these assumptions of revenue and equally offsetting expenditures, there is no net impact on the General Fund shortfall projections. Given both uncertainty

regarding the timing and volatility of these revenues and the potential for State changes to funding levels for K-12 and community college districts, the projections do not include receipt of Excess ERAF revenues in years after FY 2020-21. (The COVID-19 Emergency may negatively impact the availability of Excess ERAF contributions, as described in “RECENT DEVELOPMENTS - Impact of the State of California Budget on Local Finances.”)

While the projected shortfalls in the May Update reflect the difference in projected revenues and expenditures over the next five years using the assumptions set forth in the May Update, the Charter requires that each year’s budget be balanced. As a result of the significant financial impacts expected to result from the COVID-19 Emergency, balancing the budgets is expected to require a combination of expenditure reductions, additional revenues and use of available reserves. The projections in the May Update assume no ongoing solutions are implemented.

The Original FY21-FY24 Plan did not assume an economic downturn. To illustrate the effect of a hypothetical recession on San Francisco’s fiscal condition, the Original FY21-FY24 Plan included a recession scenario that assumes weakness in the California and San Francisco economies beginning in FY 2021-22. The scenario assumes rates of revenue loss in major local tax sources—including business, hotel, sales, transfer and parking taxes—consistent with the average declines experienced during the last two recessions, FY 2001-02 through FY 2003-04 and FY 2008-09 through FY 2010-11, which would result in revenue losses of approximately \$820 million. In addition, the scenario assumes a \$52 million increase in employer pension contributions in the final year of the forecast, triggered by losses in the value of assets held by the San Francisco Employee’s Retirement System comparable to the losses experienced in the aftermath of the global financial crisis in 2008 and 2009. The resulting shortfall of \$872 million would be closed, in part, by a \$114 million reduction in voter-approved spending mandates tied to General Fund revenue and the use of \$634 million in General Fund Reserves, leaving an estimated \$124 million to be closed through spending reductions and other means.

The City cannot predict the severity or length of the recession that is expected is result from the COVID-19 Emergency, and there can be no assurances that it will not result in more severe adverse impacts than those projected in the recession scenario included in the Original FY21-FY24 Plan. Further, the City’s projections in the May Update provide for a worse economic impact than these prior projections of an economic recession. See “RECENT DEVELOPMENTS” for a discussion of the May Update to the Original FY21-FY24 Plan.

Fiscal Year 2019-20 Six-Month Budget Status Report

On February 13, 2020, the Controller’s Office issued a budget status update on revenues and expenditures through the first six months of the year. The report projects a \$98.1 million improvement in General Fund ending balance over the projections in the Original FY21-FY24 Plan. Application of this additional fund balance would reduce the projected shortfall in the upcoming two-year budget from \$419.5 million to \$321.4 million. The improvement was driven largely by increased real property transfer tax revenue in the General Fund, Public Health hospital revenue surpluses, and cost savings at the Human Services Agency due to reduced caseloads.

As described in “RECENT DEVELOPMENTS,” the City has prepared updates to the Joint Report, which describes the material adverse impact on the financial condition of the General Fund which potentially may result from the COVID-19 Emergency.

City Budget Adopted for Fiscal Years 2019-20 and 2020-21

On August 1, 2019, Mayor Breed signed the Consolidated Budget and Annual Appropriation Ordinance (the “Original Budget”) for the fiscal years ending June 30, 2020 and June 30, 2021. The adopted budget closed the \$30.6 million and \$125.5 million General Fund projected shortfalls for fiscal years 2019-20 and 2020-21 identified in the City’s March 2019 update to the Five-Year Financial Plan through a combination of increased revenue and expenditure savings.

The Original Budget for fiscal year 2019-20 and fiscal year 2020-21 totaled \$12.3 billion and \$12.0 billion respectively. The General Fund portion of each year’s budget is \$6.1 billion in fiscal year 2019-20 and \$6.0 billion in fiscal year 2020-21. There are 31,784 funded full-time positions in the fiscal year 2019-20 Original Budget and 32,052 in the fiscal year 2020-21 Original Budget.

On June 11, 2019, the Controller’s Office issued the Controller’s Discussion of the Mayor’s fiscal year 2019-20 and fiscal year 2020-21 Proposed Budget (“Revenue Letter”). The Revenue Letter found that tax revenue assumptions were reasonable, and reserve and baselines were funded at or above required levels. The Revenue Letter noted that the budget draws on volatile revenues and reserves at a higher rate than recent years, to fund a variety of one-time purposes. The extraordinary revenue and reserve draws are primarily related to unexpected Excess ERAF monies.

City Budget Adopted for Fiscal Years 2020-21 and 2021-22

On June 30, 2020 the Board of Supervisors adopted the Interim Budget for fiscal year 2020-21 and fiscal year 2021-22 with totals of \$12.1 billion and \$11.6 billion respectively. The General Fund portion of each year’s budget is \$5.9 billion in fiscal year 2020-21 and \$5.9 billion in fiscal year 2021-22. There are 38,207 funded full-time positions in the fiscal year 2020-21 Interim Budget and 38,211 in the fiscal year 2021-22 Interim Budget.

The COVID-19 Emergency has and is expected to continue to materially adversely impact the financial condition of the City’s General Fund. See “RECENT DEVELOPMENTS – Modifications to the Budget Calendar” for a description of the projected timeline for budget-related actions the City currently expects to take in response to the COVID-19 Emergency, including the adoption of a revised fiscal year 2020-21 and fiscal year 2021-22 budget.

BUDGETARY RISKS

Material Adverse Impacts of the COVID-19 Emergency

See “RECENT DEVELOPMENTS” for a discussion of the anticipated material adverse impacts of the COVID-19 Emergency on the City’s General Fund.

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

On January 29, 2019, PG&E filed for Chapter 11 bankruptcy protection in the face of potential wildfire liability that has been estimated upwards of \$30 billion. Taxes and fees paid by PG&E to the City total approximately \$75 million annually and include property taxes, franchise fees and business taxes, as well as the utility user taxes it remits on behalf of its customers. In April 2019, the bankruptcy court granted relief to PG&E to pay property taxes and franchise fees.

On September 6, 2019, in connection with Pacific Gas and Electric Company (“PG&E”) and PG&E Corporation’s Chapter 11 pending bankruptcy cases, the City and County of San Francisco submitted a non-binding indication of interest (“IOI”) to PG&E and PG&E Corporation to purchase substantially all of PG&E’s electric distribution and transmission assets needed to provide retail electric service to all electricity customers within the geographic boundaries of the City (“Target Assets”) for a purchase price of \$2.5 billion (such transaction, the “Proposed Transaction”). In a letter dated October 7, 2019, PG&E declined the City’s offer. On November 4, 2019, the City sent PG&E a follow-up letter reiterating its interest in acquiring the Target Assets. To demonstrate public support for the Proposed Transaction, on January 14, 2020, the City’s Board of Supervisors and the SFPUC’s Commission conditionally authorized the sale of up to \$3.065 billion of Power Enterprise Revenue Bonds to finance the acquisition of the Target Assets and related costs, subject to specific conditions set forth in each authorizing resolution.

The IOI reflects the City’s interest in purchasing the Target Assets and does not create any legally binding obligations on the City or any of its officials, representatives, agencies, political subdivisions, affiliates or their respective advisors. The City is unable to predict whether it will be able to consummate a final negotiated acquisition price for the Target Assets and, if so, the terms thereof. Any such final terms would be subject to approval by the Board of Supervisors and the Commission. If consummated, it is expected that such new electric system would be wholly supported by its own revenues, and no revenues of the City’s general fund would be available to pay for system operations, or bonds issued to acquire the Target Assets.

On June 20, 2020, the United States Bankruptcy Court for the Northern District of California confirmed PG&E’s Plan of Reorganization, and on July 1, 2020 PG&E announced that it had emerged from Chapter 11 bankruptcy. The City is committed to acquiring PG&E’s assets and expects to continue its pursuit with the newly reorganized entity.

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

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

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

On July 5, 2019, the San Francisco Superior Court granted the City's dispositive motions in the lawsuits concerning June 2018's Proposition C and November 2018's Proposition C, concluding that both measures, which proposed tax increases for specific purposes, required only a simple majority for approval because they were put on the ballot through a citizen signature petition. The Howard Jarvis Taxpayers Association and other petitioners/plaintiffs appealed the decision in the litigation concerning June 2018's Proposition C, and the California Business Properties Association and the other defendants/respondents appealed the decision in the litigation concerning November 2018's Proposition C.

On June 30, 2020 the Court of Appeal upheld the decision of the trial court in the litigation concerning November 2018's Proposition C. The California Business Properties Association and the other appellants in that litigation have not yet sought review in the California Supreme Court but the City anticipates that they may do so. Briefing in the appeal concerning June 2018's Proposition C is not yet complete, and no oral argument has been scheduled.

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 10% of the General Fund revenues appropriated in the Original Budget for fiscal years 2019-20 and 2020-21, and thus changes in State revenues could have a material impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

The State has publicly stated that the state's General Fund will be materially adversely impacted by the health-related and economic impacts of the COVID-19 pandemic. Efforts to respond to and mitigate the spread of COVID-19 have had a severe impact on the state and national economy, triggered a historic drop and ongoing volatility in the stock market, and a recession.

On June 26, 2020, the Governor signed the State of California's fiscal year 2020-21 budget, which closed a \$54.3 billion shortfall from the May Revise. The State's FY 2020-21 General Fund budget of \$133.9 billion is \$13.0 billion (or 8.9 percent) less than FY 2019-20. The most significant anticipated losses in the State's General Fund sources include Personal Income Tax (decrease of \$18 billion or 18.8 percent) and Sales and Use tax (decrease of 4.4 billion or 17.5 percent). The State subvenes portions of its revenue to counties; thus, when the State experiences revenue loss, so do counties.

The greatest known impact of the State budget on the City's General Fund budget is the reduction of 1991 and 2011 realignment funding, which supports health, human services, and public safety agencies. For FY 2020-21, the loss to the City is projected to total approximately \$40 million, compared to the City's pre-COVID projection in the January 2020 Joint Report. However, the City's share of the State's temporary

backfill is expected to be \$28 million, partially offsetting this loss. In addition, the State is passing its share of federal Coronavirus Relief Fund monies to counties. San Francisco is expected to receive \$20.3 million from this source.

Education trailer bill language published with Governor Newsom's May 2020 budget revision would have amended state code to allow the California Department of Finance to adopt guidelines for counties to use in the allocation of excess ERAF and to impose retroactive civil penalties for calculations deemed not in compliance with this future guidance. The bill was amended to eliminate civil penalties and create a process under which the State Controller, which regularly audits all counties' allocations of property tax revenue, will adopt guidelines by the end of December 2020, applicable to fiscal years 2019-20 and forward only. While the State Controller's directions on the treatment of charter schools and redevelopment tax increment in ERAF calculations may materially reduce the City's excess ERAF revenue, the legislature did not eliminate excess ERAF outright; this provides some indication that while reduced, the revenue will be ongoing.

Impact of Federal Government on Local Finances

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City's assets are also invested in securities of the United States government. The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending. For example, the City issued taxable obligations designated as "Build America Bonds," ("BABs") which BABs were entitled to receive a 35% subsidy payment from the federal government. The 35% subsidy payment has been reduced since 2013 in connection with the United States federal government sequestration. As well, the federal government has from time to time threatened to withhold certain funds from 'sanctuary jurisdictions' of which the City is one. The federal district court issued a permanent injunction in November 2017 to prevent any such reduction in federal funding on this basis. On August 1, 2018, the 9th Circuit Court of Appeal upheld the district's court's injunction against the President's Executive Order.

In the event Congress and the President fail to enact appropriations, budgets or debt ceiling increases on a timely basis in the future, such events could have a material adverse effect on the financial markets and economic conditions in the United States and an adverse impact on the City's finances. The City cannot predict the outcome of future federal budget deliberations and the impact that such budgets will have on the City's finances and operations. The City's General Fund and hospitals, which are supported by the General Fund, collectively receive over \$1 billion annually in federal subventions for entitlement programs, the large majority of which are reimbursements for care provided to Medicaid and Medicare recipients. In addition, tens of thousands of San Franciscans receive federal subsidies to purchase private insurance on the state's health care exchange, Covered California. Federal efforts to repeal or eliminate such subsidies, or repeal, replace or alter provisions of the Affordable Care Act through regulatory changes, could have significant effects on future health care costs. In addition, the state Department of Health Care Services is currently negotiating with the federal Centers for Medicare and Medicaid Services on a successor to California's Section 1115(a) Medicaid waivers, which expire on December 31, 2020. The next waiver could significantly affect allocations to counties, but the City cannot predict the outcome of this process. To help address these risks, the City's adopted fiscal year 2019-20 Original Budget included a \$40 million reserve to manage state, federal, and other revenue uncertainty, and a \$50 million reserve to address changes to the Affordable Care Act.

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

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

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

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

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

GENERAL FUND REVENUES

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

The information in this section “GENERAL FUND REVENUES” relating to 2019-20 revenues from the various sources described below is from the Original 2019-20 Budget. As described in “RECENT DEVELOPMENTS,” the COVID-19 Emergency resulted in significant declines in General Fund revenues. As described in “RECENT DEVELOPMENTS – May Update Report,” economic and tax revenue losses associated with the COVID-19 Emergency have been stark and immediate, resulting in a General Fund loss of \$246 million versus the adopted fiscal year 2019-20 budget (after adjustments included in the May Update).

PROPERTY TAXATION

Property Taxation System – General

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

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30th, the 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 XIII A 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 prepares and mails 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-6 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. There can be no assurances that the COVID-19 Emergency will not materially adversely impact property values in the City. See “RECENT DEVELOPMENTS.”

The total tax rate shown in Table A-6 includes taxes assessed on behalf of the City as well as the San Francisco Unified School District (SFUSD), County Office of Education (SFCOE), SFCOD, Bay Area Air Quality Management District (BAAQMD), and San Francisco Bay Area Rapid Transit District (BART), all of which are legal entities separate from the City. See also, Table A-31: “Statement of Direct and Overlapping Debt and Long-Term Obligations.” In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the Successor Agency to the San Francisco Redevelopment Agency (more commonly known 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 and a portion of administrative costs of the agency causing a loss of tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCOD. Taxes collected for payment of debt service on general obligation bonds are

not affected or diverted. The Successor Agency received \$158.6 million of property tax increment in fiscal year 2018-19 for recognized obligations, diverting about \$88.2 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 99.26% for fiscal year 2018-19. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 56 for the six-month period July 1 to December 31, 2019. For the fiscal year 2018-19 a total of 86 trustee deeds were recorded compared to 111 for fiscal year 2017-18 and 92 for fiscal year 2016-17. There can be no assurances that the COVID-19 Emergency will not result in increased foreclosures in the City. See "RECENT DEVELOPMENTS."

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2008-09 through 2019-20
(000s)

Fiscal Year	Net Assessed ¹ Valuation (NAV)	% Change from Prior Year	Total Tax Rate per \$100 ²	Total Tax Levy ³	Total Tax Collected ³	% Collected June 30
2008-09	141,274,628	8.7%	1.163	1,702,533	1,661,717	97.6%
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.5%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	98.0%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.2%
2012-13	165,043,120	4.0%	1.169	1,997,645	1,970,662	98.6%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479	10.8%	1.163	2,999,794	2,977,664	99.3%
2019-20	281,073,307 ⁴	8.4%	1.180	3,316,946	N/A	N/A

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

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

³ The Total Tax Levy and Total Tax Collected through fiscal year 2018-19 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California SCO). Total Tax Levy for fiscal year 2019-20 is based upon initial assessed valuations times the secured property tax rate to provide an estimate.

⁴ Based on initial assessed valuations for fiscal year 2019-20.

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

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

At the start of fiscal year 2019-20, the total net assessed valuation of taxable property within the City was \$281.1 billion. Of this total, \$264.1 billion (93.9%) represents secured valuations and \$17.0 billion (6.1%) 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 XIII A of the State Constitution added by Proposition 13 in 1978, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. Taxpayers can appeal the Assessor's determination of their property's assessed value, and the appeals may be retroactive and for multiple years. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with counties' property assessments.

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. 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, SFCOE, SFCCD, BAAQMD, and BART share proportionately in any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In the period following the Great Recession, assessment appeals increased significantly. In fiscal year 2010-11, the Assessor granted 18,841 temporary reductions in residential property assessed value worth a total of \$2.35 billion, compared to 18,110 temporary reductions with a value of \$1.96 billion granted in fiscal year 2009-10.

There can be no assurances that the expected global and national recession and economic dislocation resulting from the COVID-19 Emergency will not result in significant declines in real estate values in the City.

Appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund for fiscal years 2013-14 through 2018-19 are listed in Table A-7 below.

[Remainder of Page Intentionally Left Blank]

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
Fiscal Years 2013-14 through 2018-19
(000s)

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

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

As of July 1, 2020 the Assessor granted 2,797 temporary decline-in-value reductions resulting in the properties assessed values being reduced by a cumulative value of \$377.88 million (using the 2019-2020 tax rate of 1.1801% this equates to a reduction of approximately \$4.46 million in General Fund taxes), compared to July 1, 2019, when the Assessor granted 2,546 temporary reductions in property assessed values worth a total of \$244.01 million (equating to a reduction of approximately \$2.84 million in General Fund taxes). Of the 2,797 total reductions, 633 temporary reductions were granted for residential properties, 2,065 reductions were for timeshares and 99 reductions were for historically designated properties with an existing Mills Act Contract with the City and County of San Francisco. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board ("AAB") within a certain period. For regular, annual secured property tax assessments, the period for property owners to file an appeal typically falls between July 2nd and September 15th.

As of June 30, 2019, the total number of open appeals before the AAB was 740. During the nine-month period of July 1, 2019 to March 31, 2020 there were 1,284 new applications filed and a total of 1,059 open applications as of March 31, 2020. The difference between the current assessed value and the taxpayer's opinion of values for all the open applications is \$14.66 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all the taxpayer's requests, a negative potential total property tax impact of about \$172.32 million would result. The General Fund's portion of that potential \$172.32 million would be approximately \$81.6 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 that are based on historical results as to appeals.

Tax Levy and Collection

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

General Fund property tax revenues in fiscal year 2018-19 were \$2.2 billion, representing an increase of \$574.1 million (34.3%) over fiscal year 2017-18 actual revenue, due to recognition of three years' excess ERAF revenue (fiscal years 2016-17, 2017-18, and 2018-19) in one year. The fiscal year 2019-20 excess ERAF amount budgeted in the General Fund is \$185.0 million. The COVID-19 Emergency may negatively impact the availability of Excess ERAF contributions, as described in "RECENT DEVELOPMENTS - Impact of the State of California Budget on Local Finances." Tables A-2 and A-4 set forth a history of budgeted and actual property tax revenues.

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

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

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

A 10% penalty is added to delinquent taxes that have been levied on property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is declared "tax

defaulted” and subject to eventual sale by the Treasurer and Tax Collector of the City. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month, which begins to accrue on such taxes beginning July 1 following the date on which the property becomes tax-defaulted.

In connection with the COVID-19 Emergency, a resolution passed by the San Francisco Board of Supervisors and signed by the Mayor designated San Francisco’s property tax deadline to be May 4, 2020. On May 5, 2020 a resolution was approved by the San Francisco Board of Supervisors setting the property tax deadline to May 15, 2020. The Office of the Treasurer & Tax Collector has updated all forms to enable waiver requests for penalties if the bill is not paid by the due date.

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the “Teeter Plan”). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. Additionally, the Teeter Plan was extended to include the allocation and distribution of special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) in June 2017 (effective fiscal year 2017-18) and for the Bay Restoration Authority Parcel Tax, SFUSD School Facilities Special Tax, SFUSD School Parcel Tax, and City College Parcel Tax in October 2017 (effective fiscal year 2018-19). The Teeter Plan method authorizes the City Controller to allocate to the City’s taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City’s General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-8. The Tax Loss Reserve sets aside 1% of the total of all taxes and assessments levied for which the Teeter Plan is the applicable distribution method. The purpose of the Tax Loss Reserve is to cover losses that may occur. The amount has grown in recent years as the assessed values on the secured roll has grown.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2013-14 through 2018-19
(000s)

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

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

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year beginning July 1, 2019 are shown in Table A-9. 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-9

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
July 1, 2019

Assessee	Location	Parcel Number	Type	Total Assessed Value ¹	% Basis of Levy ²
SUTTER BAY HOSPITALS ³	1101 - 1133 VAN NESS AVE	0695 007	HOSPITAL	\$1,822,089,242	0.647%
TRANSBAY TOWER LLC	415 MISSION ST	3720 009	OFFICE	\$1,691,744,881	0.601%
HWA 555 OWNERS LLC	555 CALIFORNIA ST	0259 026	OFFICE	\$1,038,786,917	0.369%
ELM PROPERTY VENTURE LLC	101 CALIFORNIA ST	0263 011	OFFICE	\$1,005,060,856	0.357%
GSW ARENA LLC	1 WARRIORS WAY	8722 021	ENTERTAINMENT COMP	\$994,001,961	0.353%
SUTTER BAY HOSPITALS ³	3615 CESAR CHAVEZ ST/555 SAN JOSE	6575 005	HOSPITAL	\$854,219,935	0.303%
PPF PARAMOUNT ONE MARKET PLAZA OWNER LP	1 MARKET ST	3713 007	OFFICE	\$850,993,350	0.302%
KR MISSION BAY LLC	1800 OWENS ST	8727 008	OFFICE	\$789,225,180	0.280%
SHR GROUP LLC	301 - 345 POWELL ST	0307 001	HOTEL	\$751,943,504	0.267%
SFDC 50 FREMONT LLC	50 FREMONT ST	3709 019	OFFICE	\$703,105,639	0.250%
				\$10,501,171,465	3.729%

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).

³ Nonprofit organization that is exempt from property taxes.

Source: Office of the Assessor-Recorder, City and County of San Francisco

Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2019-20 valuation of property assessed by the State Board of Equalization is \$3.7 billion.

OTHER CITY TAX REVENUES

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

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

The information in this section "GENERAL FUND REVENUES" relating to fiscal year 2019-20 projected revenues from the various sources described below is from the Original 2019-20 Budget. As described in "RECENT DEVELOPMENTS," the COVID-19 Emergency has resulted in significant declines in General Fund revenues for fiscal year 2019-20 and is expected to result in significant declines in General Fund revenues for fiscal year 2020-21 and future fiscal years.

Business Taxes

Through tax year 2014 businesses in the City were subject to payroll expense and business registration taxes. Proposition E approved by the voters in the November 2012 election changed business registration tax rates and introduced a gross receipts tax which 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 increased the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 currently to 15,000. Current payroll tax exclusions will be converted into a gross receipts tax exclusion of the same size, terms and expiration dates.

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

Business tax revenue in fiscal year 2018-19 was \$919.6 million (all funds), representing an increase of \$20.4 million (2.3%) from fiscal year 2017-18. Business tax revenue was budgeted at \$1,072.7 million in the fiscal year 2019-20 Original Budget which would represent an increase of \$153.2 million (16.7%) over fiscal year 2018-19 revenue. The vast majority of the City's business tax is deposited in the General Fund; approximately \$2.0 million is allocated to the Neighborhood Beautification Fund. These figures do not assume gross receipts revenue related to either of the business tax measures approved by voters in 2018 as these are special purpose taxes deposited outside the General Fund.

TABLE A-10*

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues - All Funds
Fiscal Years 2015-16 through 2019-20
(000s)

Fiscal Year ¹	Revenue	Change	
2015-16	\$660,926	\$48,994	8.0%
2016-17	702,331	41,405	6.3%
2017-18	899,142	196,811	28.0%
2018-19	919,552	20,410	2.3%
2019-20 <i>budgeted</i> ²	1,072,720	153,168	16.7%

¹ Figures for fiscal years 2015-16 through 2018-19 are audited actuals. Includes 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.

² Figures for fiscal year 2019-20 are Original Budget amounts.

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

*See "RECENT DEVELOPMENTS – May Update Report," for a discussion of the impacts to fiscal year 2019-20 and the currently projected impacts to fiscal year 2020-21 and future years resulting from the COVID-19 Emergency.

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue in fiscal year 2018-19 ended at \$414.3 million, an increase of \$27.4 million (7.1%) from fiscal year 2017-18. In fiscal year 2019-20, hotel tax revenue is budgeted to be \$427.1 million, representing growth of \$12.7 million (3.1%). Hotel tax levels reflect the passage of a November 2018 ballot initiative (Proposition E) to shift a portion of hotel tax proceeds from the General Fund to arts and cultural programs effective January 1, 2019. Table A-11 includes hotel tax in all funds. The vast majority of the City's hotel tax is allocated to the General Fund, approximately \$3 to \$5 million of hotel tax is allocated for debt service on hotel tax revenue bonds, and approximately \$16 to \$34 million of hotel tax is allocated for arts and cultural programs.

[Remainder of Page Intentionally Left Blank]

TABLE A-11*

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues - All Funds¹
Fiscal Years 2015-16 through 2019-20
(000s)

Fiscal Year ²	Tax Rate	Revenue	Change	
2015-16	14.0%	\$392,686	(\$6,678)	-1.7%
2016-17	14.0%	375,289	(17,397)	-4.4%
2017-18	14.0%	387,006	11,716	3.1%
2018-19	14.0%	414,344	27,338	7.1%
2019-20 <i>budgeted</i> ³	14.0%	427,080	12,737	3.1%

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

² Figures for fiscal year 2015-16 through fiscal year 2018-19 are audited actuals.

³ Figures for fiscal year 2019-20 are Original Budget amounts.

*See "RECENT DEVELOPMENTS – May Update Report," for a discussion of the impacts to fiscal year 2019-20 and the currently projected impacts to fiscal year 2020-21 and future years resulting from the COVID-19 Emergency.

Real Property Transfer Tax

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

RPTT revenue for fiscal year 2018-19 was \$364.0 million, an \$83.6 million (29.8%) increase from fiscal year 2017-18 revenue. Fiscal year 2019-20 RPTT revenue is budgeted to be \$296.1 million, \$68.0 million (18.7%) less than fiscal year 2018-19. The entirety of RPTT revenue goes to the General Fund.

TABLE A-12*

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2015-16 through 2019-20
(000s)

Fiscal Year ¹	Revenue	Change	
2015-16	\$269,090	(\$45,513)	-14.5%
2016-17	410,561	141,471	52.6%
2017-18	280,416	(130,145)	-31.7%
2018-19	364,044	83,628	29.8%
2019-20 <i>budgeted</i> ²	296,053	(67,991)	-18.7%

¹ Figures for fiscal year 2015-16 through 2018-19 are audited actuals.

² Figures for fiscal year 2019-20 are Original Budget amounts.

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

*See "RECENT DEVELOPMENTS – May Update Report," for a discussion of the impacts to fiscal year 2019-20 and the currently projected impacts to fiscal year 2020-21 and future years resulting from the COVID-19 Emergency.

Sales and Use Tax

The sales tax rate on retail transactions in the City is 8.50%, of which 1.00% represents the City's local share ("Bradley-Burns" portion). The State collects the City's local sales tax on retail transactions along with State and special district sales taxes, and then remits the local sales tax collections to the City. Between fiscal year 2004-05 and the first half of fiscal year 2015-16, the State diverted one-quarter of City's 1.00% local share of the sales tax 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 1.00% local tax is recorded in the General Fund.

The components of San Francisco's 8.5% sales tax rate are shown in table A-13. In addition to the 1% portion of local sales tax, the State subvenes portions of sales tax back to counties through 2011 realignment (1.0625%), 1991 realignment (0.5%), and public safety sales tax (0.5%). The subventions are discussed in more detail after the local tax section.

[Remainder of Page Intentionally Left Blank]

TABLE A-13

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

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

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

Local sales tax (the 1% portion) revenue in fiscal year 2018-19 is \$213.6 million, \$20.7 million (10.7%) more than fiscal year 2017-18. Fiscal year 2019-20 revenue is budgeted to be \$204.1 million, a decrease of \$9.5 million (4.5%) from fiscal year 2018-19, due to one-time prior year payments received in fiscal year 2018-19. The entirety of sales tax revenue is deposited in the General Fund.

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

Table A-14 reflects the City's actual sales and use tax receipts for fiscal years 2015-16 through 2018-19, and budgeted receipts for fiscal year 2019-20. The fiscal year 2015-16 figure include the imputed impact of the property tax shift made in compensation for the one-quarter sales tax revenue taken by the State's "Triple Flip."

[Remainder of Page Intentionally Left Blank]

TABLE A-14*

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2015-16 through 2019-20
(000s)

Fiscal Year ¹	Tax Rate	City Share	Revenue	Change	
2015-16	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	8.75%	1.00%	189,473	(14,645)	-8.7%
2017-18	8.50%	1.00%	192,946	3,473	1.8%
2018-19	8.50%	1.00%	213,625	20,679	10.7%
2019-20 <i>budgeted</i> ³	8.50%	1.00%	204,085	(9,540)	-4.5%

¹ Figures for fiscal year 2015-16 through fiscal year 2018-19 are audited actuals. In November 2012 voters approved Proposition 30, which temporarily increased the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

² The 2015-16 adjusted figures include 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 Figures for fiscal year 2019-20 are Original Budget amounts.

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

*See "RECENT DEVELOPMENTS – May Update Report," for a discussion of the impacts to fiscal year 2019-20 and the currently projected impacts to fiscal year 2020-21 and future years resulting from the COVID-19 Emergency.

Other Local Taxes

The City imposes a number of other general purpose taxes:

- **Utility Users Tax (UUT)** - A 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services.
- **Access Line Tax ("ALT")** – A charge of \$3.64 on every telecommunications line, \$27.35 on every trunk line, and \$492.32 on every high capacity line in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. The tax is collected from telephone communications service subscribers by the telephone service supplier.
- **Parking Tax** - A 25% tax for off-street parking spaces. The tax is paid by occupants and remitted monthly to the City by parking facility operators. In accordance with Charter Section 16.110, 80% of parking tax revenues are transferred from the General Fund to the MTA's Enterprise Funds to support public transit.
- **Sugar Sweetened Beverage Tax** – A one cent per ounce tax on the distribution of sugary beverages. This measure was adopted by voters on November 9, 2016 (Prop V) and took effect on January 1, 2018.

- Stadium Admission Tax – A tax between \$0.25 and \$1.50 per seat or space in a stadium for any event, with some specific exclusions.
- Cannabis Tax – A gross receipts tax of 1% to 5% on marijuana business and permits the City to tax businesses that do not have a physical presence in the City. This measure was adopted by voters in November 2018 (Prop D).
- Franchise Tax – A tax for the use of city streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.

Table A-15 reflects the City’s actual tax receipts for fiscal years 2015-16 through 2018-19, and budgeted receipts for fiscal year 2019-20. Certain of these budgeted receipts have been materially adversely impacted by the COVID-19 Emergency; see “RECENT DEVELOPMENTS – May Update Report.”

TABLE A-15*

CITY AND COUNTY OF SAN FRANCISCO					
Other Local Taxes					
Fiscal Years 2015-16 through 2019-20					
General Fund All Funds					
(000s)					
Tax	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	2019-20 Budget ¹
Utility Users Tax	\$98,651	\$101,203	\$94,460	\$93,918	\$98,710
Access Line Tax	43,617	46,530	51,255	48,058	48,910
Parking Tax	86,012	84,278	83,484	86,020	83,000
Sugar Sweetened Beverage Tax	N/A	N/A	7,912	16,098	16,000
Stadium Admissions Tax	1,164	1,199	1,120	1,215	5,500
Cannabis Tax	N/A	N/A	N/A	N/A	3,000
Franchise Tax	16,823	17,130	16,869	15,640	17,650

¹ Figures for fiscal year 2019-20 are Original Budget amounts.

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

*See “RECENT DEVELOPMENTS – May Update Report,” for a discussion of the impacts to fiscal year 2019-20 and the currently projected impacts to fiscal year 2020-21 and future years resulting from the COVID-19 Emergency.

INTERGOVERNMENTAL REVENUES

State Subventions Based on Taxes

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

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

- Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers.
- State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City's proportionate share of Statewide sales activity. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above. Disbursements are made to counties based on the county ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year.

Table A-16 reflects the City's actual receipts for fiscal years 2015-16 through 2018-19 and budgeted receipts for fiscal year 2019-20.

TABLE A-16*

CITY AND COUNTY OF SAN FRANCISCO					
Selected State Subventions - All Funds					
Fiscal Years 2015-16 through 2019-20					
(\$millions)					
Tax	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	2019-20 Budget ¹
Health and Welfare Realignment					
General Fund	\$176.3	\$192.1	\$197.9	\$217.6	\$221.0
Hospital Fund	52.2	66.1	57.3	58.5	59.1
Total - Health and Welfare	\$228.5	\$258.2	\$255.2	\$276.1	\$280.1
Public Safety Realignment (General Fund)	\$39.8	\$35.5	\$37.4	\$39.4	\$42.1
Public Safety Sales Tax (Prop 172) (General Fund)	\$97.0	\$100.4	\$104.8	\$107.6	\$104.6

Notes

¹ Figures for fiscal year 2019-20 are Original Budget amounts.

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

*See "RECENT DEVELOPMENTS – May Update and Impact of the State of California Budget on Local Finances" for a discussion for a discussion of the impacts to fiscal year 2019-20 and the currently projected impacts to fiscal year 2020-21 and future years resulting from the COVID-19 Emergency and the reduction of State subventions.

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

The information in this section "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" relating to 2019-20 projected expenditures from the Original 2019-20 Budget. As described in "RECENT DEVELOPMENTS," the COVID-19 Emergency has resulted in significant declines in revenues as well as increases in certain expenditures.

General Fund Expenditures by Major Service Area

As a consolidated city and county, San Francisco budgets General Fund expenditures in seven major service areas as described in table A-17 below:

TABLE A-17*

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2016-17 through 2019-20
(000s)

Major Service Areas	2016-17 Final Budget	2017-18 Final Budget	2018-19 Final Budget	2019-20 Original Budget
Public Protection	\$1,266,148	\$1,316,870	\$1,390,266	\$1,493,084
Human Welfare & Neighborhood Development	978,126	1,047,458	1,120,892	1,183,587
Community Health	763,496	832,663	967,113	950,756
General Administration & Finance	252,998	259,916	290,274	596,806
Culture & Recreation	139,473	142,081	154,056	173,969
General City Responsibilities	134,153	114,219	172,028	193,971
Public Works, Transportation & Commerce	166,295	238,564	214,928	208,755
Total*	\$3,700,689	\$3,951,771	\$4,309,557	\$4,800,929

*Total may not add due to rounding

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

*See "RECENT DEVELOPMENTS – May Update Report," for a discussion of the impacts to fiscal year 2019-20 and the currently projected impacts to fiscal year 2020-21 and future years resulting from the COVID-19 Emergency.

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

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

Voter-Mandated Spending Requirements

The Charter requires funding for voter-mandated spending requirements, which are also referred to as "baselines," "set-asides," or "mandates". The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-18 reflects fiscal year 2019-20 spending requirements at the time the fiscal year 2019-20 Original budget was adopted. These mandates are either budgeted as transfers out of the General Fund, or allocations of property tax revenue.

[Remainder of Page Intentionally Left Blank]

TABLE A-18*

CITY AND COUNTY OF SAN FRANCISCO	
Baselines & Set-Asides	
Fiscal Year 2019-20	
(\$millions)	
	2019-20 Original Budget
Projected General Fund Aggregate Discretionary Revenue (ADR)	\$4,205.3
Municipal Transportation Agency (MTA)	
MTA - Municipal Railway Baseline: 6.686% ADR	\$281.2
MTA - Parking & Traffic Baseline: 2.507% ADR	105.4
MTA - Population Adjustment	56.3
MTA - 80% Parking Tax In-Lieu	66.4
Subtotal - MTA	\$509.3
Library Preservation Fund	
Library - Baseline: 2.286% ADR	\$96.1
Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV)	65.3
Subtotal - Library	\$161.4
Children's Services	
<i>Children's Services Baseline - Requirement: 4.830% ADR</i>	<i>\$203.1</i>
Children's Services Baseline - Eligible Items Budgeted	223.2
<i>Transitional Aged Youth Baseline - Requirement: 0.580% ADR</i>	<i>24.4</i>
Transitional Aged Youth Baseline - Eligible Items Budgeted	28.9
Public Education Services Baseline: 0.290% ADR	12.2
Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV	104.5
<i>Public Education Enrichment Fund: 3.057% ADR</i>	<i>128.6</i>
1/3 Annual Contribution to Preschool for All	42.9
2/3 Annual Contribution to SF Unified School District	85.7
Subtotal - Children's Services	\$497.3
Recreation and Parks	
Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV	\$65.3
<i>Recreation & Parks Baseline - Requirement</i>	<i>76.2</i>
Recreation & Parks Baseline - Budgeted	82.0
Subtotal - Recreation and Parks	\$147.3
Other	
<i>Housing Trust Fund Requirement</i>	<i>\$36.8</i>
Housing Trust Fund Budget	57.1
Dignity Fund	50.1
Street Tree Maintenance Fund: 0.5154% ADR	21.7
Municipal Symphony Baseline: \$0.00125 per \$100 NAV	3.5
City Services Auditor: 0.2% of Citywide Budget	20.1
Subtotal - Other	\$152.4
Total Baselines and Set-Asides	\$1,467.6

*See "RECENT DEVELOPMENTS – May Update Report," for a discussion of the impacts to fiscal year 2019-20 and the currently projected impacts to fiscal year 2020-21 and future years resulting from the COVID-19 Emergency.

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents slightly less than half of the City's expenditures, totaling \$5.6 billion in the fiscal year 2019-20 Original Budget (all funds), and \$5.8 billion in the fiscal year 2020-21 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was \$2.6 billion in the fiscal year 2019-20 Original Budget and \$2.8 billion in the fiscal year 2020-21 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 SF Unified School District ("SFUSD"), SFCCD and the San Francisco Superior Court, called Trial Court below, are not City employees.

Labor Relations

The City's budget for fiscal year 2019-20 included 37,907 budgeted and funded 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.

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

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

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

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

for fiscal year 2020-21 in excess of \$200 million, the scheduled wage increases as described above are delayed by approximately six months. For fiscal year 2021-22, the parties agreed to a wage increase schedule of 3% on July 1, 2021 and 0.5% on January 8, 2022, with a provision to delay the fiscal year 2021-22 adjustment by six months if the City's deficit for fiscal year 2021-22, as projected in the March 2021 Update to the Five-Year Financial Plan, exceeds \$200 million.

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

[Remainder of Page Intentionally Left Blank]

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of April 15, 2020

Organization	City Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	504	30-Jun-22
Bricklayers, Local 3	10	30-Jun-22
Building Inspectors' Association	90	30-Jun-22
Carpenters, Local 22	114	30-Jun-22
Cement Masons, Local 300	45	30-Jun-22
Deputy Probation Officers' Association (DPOA)	142	30-Jun-22
Deputy Sheriffs' Association (DSA)	824	30-Jun-22
District Attorney Investigators' Association (DAIA)	45	30-Jun-22
Electrical Workers, Local 6	984	30-Jun-22
Firefighters' Association, Local 798 Unit 1	1,834	30-Jun-21
Firefighters' Association, Local 798 Unit 2	63	30-Jun-21
Glaziers, Local 718	14	30-Jun-22
Hod Carriers, Local 166	8	30-Jun-22
IATSE, Local 16	29	30-Jun-22
Institutional Police Officers' Association	1	30-Jun-22
Ironworkers, Local 377	14	30-Jun-22
Laborers, Local 261	1,150	30-Jun-22
Law Librarian and Asst Librarian	2	-
Municipal Attorneys' Association (MAA)	477	30-Jun-22
Municipal Executives' Association (MEA) Fire	9	30-Jun-21
Municipal Executives' Association (MEA) Miscellaneous	1,438	30-Jun-22
Municipal Executives' Association (MEA) Police	16	30-Jun-21
Operating Engineers, Local 3 Miscellaneous	65	30-Jun-22
Operating Engineers, Local 3 Supervising Probation	31	30-Jun-22
Painters, SF Workers United	134	30-Jun-22
Pile Drivers, Local 34	37	30-Jun-22
Plumbers, Local 38	352	30-Jun-22
Police Officers' Association (POA)	2,747	30-Jun-21
Professional and Technical Engineers, Local 21	6,436	30-Jun-22
Roofers, Local 40	13	30-Jun-22
SEIU, Local 1021 H-1s	1	30-Jun-20
SEIU, Local 1021 Misc	12,711	30-Jun-22
SEIU, Local 1021 Nurses	1,733	30-Jun-22
Sheet Metal Workers, Local 104	41	30-Jun-22
Sheriffs' Supervisory and Management Association (MSA)	109	30-Jun-22
Soft Tile Workers, Local 12	4	30-Jun-22
Stationary Engineers, Local 39	703	30-Jun-22
Teamsters, Local 853	178	30-Jun-22
Teamsters, Local 856 Miscellaneous	99	30-Jun-22
Teamsters, Local 856 Supervising Nurses	127	30-Jun-22
TWU, Local 200	385	30-Jun-22
TWU, Local 250-A (9132 Transit Fare Inspectors)	50	30-Jun-22
TWU, Local 250-A (9163 Transit Operator)	2,721	30-Jun-22
TWU, Local 250-A Auto Service Work	145	30-Jun-22
TWU, Local 250-A Miscellaneous	109	30-Jun-22
Union of American Physicians and Dentists (UAPD)	203	30-Jun-22
Unrepresented Employees	88	30-Jun-22
Other	872	
	37,907	¹

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

Budgeted positions include authorized positions that are not currently funded.

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

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

As described in "RECENT DEVELOPMENTS," the COVID-19 Emergency has resulted in significant volatility in the global and national stock markets. Contributions to SFERS are based upon an assumption of 7.4% investment returns each fiscal year. To the extent that returns fall below this level in fiscal year 2019-20 and subsequent fiscal years, it will increase required City and employee contributions. The City is estimating on a preliminary basis that returns for fiscal year 2019-20 will be in a range of 2.00% to 2.25%. See "RECENT DEVELOPMENTS – May Update Report."

History and Administration

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

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

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

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

Membership

Retirement System members include eligible employees of the City, SFUSD, SFCCD, and the San Francisco Trial Courts. The Retirement System estimates that the total active membership as of July 1, 2019 is 44,157, compared to 43,129 at July 1, 2018. Active membership at July 1, 2019 includes 8,911 terminated vested members and 1,044 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to

approximately 30,778 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-20 shows total Retirement System participation (City, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2015 through July 1, 2019.

TABLE A-20

**City and County of San Francisco
Employees' Retirement System
July 1, 2015 through July 1, 2019**

As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
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
2017	33,447	7,381	1,039	41,867	29,127	1.148
2018	33,946	8,123	1,060	43,129	29,965	1.133
2019	34,202	8,911	1,044	44,157	30,778	1.111

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

Notes: Member counts exclude DROP participants. There are no active DROP members on or after July 1, 2016
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 2018 Retirement Board meeting, the Board voted to lower the assumed long-term investment earnings assumption from 7.50% to 7.40%, maintain the long-term wage inflation assumption at 3.50%, and lower the long-term consumer price inflation assumption from 3.00% to 2.75%. These economic assumptions were first effective for the July 1, 2018 actuarial valuation and were approved again by the Board for the July 1, 2019 actuarial valuation at their July 2019 meeting. The Board had previously lowered the long-term wage inflation assumption from 3.75% to 3.50% at its November 2017 meeting effective for the July 1,

2017 actuarial valuation. 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 debt obligations should carefully review and assess the assumptions regarding the performance of the Retirement System. Audited financials and actuarial reports may be found on the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's debt obligations are cautioned that the information and assumptions speak only as of the respective dates contained in the underlying source documents and are therefore subject to change.

Employer Contribution History and Annual Valuations

Fiscal year 2017-18 City employer contributions to the Retirement System were \$582.6 million, which included \$315.3 million from the General Fund. Fiscal year 2018-19 City employer contributions to the Retirement System were \$607.2 million, which includes \$332.8 million from the General Fund. For fiscal year 2019-20, total City employee contributions to the Retirement System are budgeted at \$692.0 million, which includes \$327.4 million from the General Fund. These budgeted amounts are based upon the fiscal year 2019-20 employer contribution rate of 25.19% (estimated to be 21.8% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2020-21 employer contribution rate is 26.90% (estimated to be 23.5% after cost-sharing). The increase in employer contribution rate from 25.19% to 26.90% reflects a new Supplemental COLA effective July 1, 2019 and the last-year of the five-year phase-in of the 2015 demographic assumption changes approved by the Retirement Board. Employer contribution rates anticipate annual increases in pensionable payroll of 3.5% and total contributions to the Retirement System could continue to climb even as contribution rates decline. As discussed under "City Budget – Five-Year Financial Plan" increases in retirement costs are projected in the City's Five Year Financial Plan.

Table A-21 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2014-15 through 2018-19. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

TABLE A-21

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

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

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

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

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

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

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

Governmental Accounting Standards Board ("GASB") Disclosures

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

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Actuarial Liability calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census adjusted for significant events that occurred during the year. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return, to the extent the fiduciary net position is available to make payments, and a municipal bond rate, to the extent that the fiduciary net position is unavailable to make payments. Differences between the discount rate and assumed investment return have been small, ranging from zero to four basis points at the last five fiscal year-ends. The third distinct difference is that Total Pension Liability includes a provision for Supplemental COLAs that may be granted in the future, while Actuarial Liability for funding

purposes includes only Supplemental COLAs that have already been granted as of the valuation date. Supplemental COLAs do not occur every year as they are only granted after favorable investment experience and only to certain groups of retirees dependent upon the funded status of the pension plan. Supplemental COLAs are capped at 3.5% less any basic COLA. As the majority of retirees have annual basic COLAs capped at 2.0%, a Supplemental COLA when granted typically represents a 1.5% increase in benefit.

Table A-21A below shows for the five most recent fiscal years the collective Total Pension Liability, Plan Fiduciary Net Position (market value of assets), and Net Pension Liability for all employers who sponsor the Retirement System. The City's audited financial statements disclose only its own proportionate share of the Net Pension Liability and other required GASB 68 disclosures.

TABLE A-21A

City and County of San Francisco Employees' Retirement System GASB 67/68 Disclosures Fiscal Years 2014-15 through 2018-19 (000s)						
As of June 30th	Collective Total Pension Liability (TPL)	Discount Rate	Plan Fiduciary Net Position	Plan Net Position as % of TPL	Collective Net Pension Liability (NPL)	City and County's Proportionate Share of NPL
2015	\$22,724,102	7.46 %	\$20,428,069	89.9 %	\$2,296,033	\$2,156,049
2016	25,967,281	7.50	20,154,503	77.6	5,812,778	5,476,653
2017	27,403,715	7.50	22,410,350	81.8	4,993,365	4,697,131
2018	28,840,673	7.50	24,557,966	85.2	4,282,707	4,030,207
2019	30,555,289	7.40	26,078,649	85.3	4,476,640	4,213,807

Sources: SFERS fiscal year-end GASB 67/68 Reports as of each June 30.

Notes: Collective amounts include all employees (City and County, SFUSD, SFCCD, Superior Courts)

The trend in the decline in the City's net pension liability due to investment returns in excess of the assumed returns would have continued at year-end 2019 but was offset by the increase in TPL due to the drop in discount rate from 7.50% to 7.40%.

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, 2019, see the City's CAFR.

Annualized investment return (net of fees and expenses) for the Retirement System for the five years ending June 30, 2019 was 7.57%. For the ten-year and twenty-year periods ending June 30, 2019, annualized investment returns were 10.43% and 7.02% respectively.

The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the

Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 1145 Market Street, 5th Floor, San Francisco, California 94103, or by calling (415) 487-7000. These documents are not incorporated herein by reference.

2011 Voter Approved Changes to the Retirement Plan

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

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

1. New SFERS benefit plans for Miscellaneous and Safety employees commencing employment on or after January 7, 2012, which raise the minimum service retirement age for Miscellaneous members from 50 to 53; limit covered compensation to 85% of the IRC §401(a)(17) limits for Miscellaneous members and 75% of the IRC §401(a)(17) limits for Safety members; calculate final compensation using highest three-year average compensation; and decrease vesting allowances for Miscellaneous members by lowering the City's funding for a portion of the vesting allowance from 100% to 50%;
2. Employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;
3. Cost-sharing provisions which increase or decrease employee contributions to SFERS on and after July 1, 2012 for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. For example, Miscellaneous employees hired on or after November 2, 1976 pay a Charter-mandated employee contribution rate of 7.5% before-cost-sharing. However, after cost-sharing those who earn between \$50,000 and \$100,000 per year pay a fluctuating rate in the range of 3.5% to 11.5 and those who earn \$100,000 or more per year pay a fluctuating rate in the range of 2.5% to 12.5%. Similar fluctuating employee contributions are also required from Safety employees; and
4. Effective July 1, 2012, no Supplemental COLA will be paid unless SFERS is fully funded on a market value of assets basis and, for employees hired on or after January 7, 2012, Supplemental COLA benefits will not be permanent adjustments to retirement benefits - in any year when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

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

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

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

Impact on the Retirement System from Changes in the Economic Environment

As of June 30, 2019, the audited market value of Retirement System assets was \$26.1 billion. As of May 31, 2020, the unaudited value of the System assets was \$25.7 billion. These values represent, as of the date specified, the estimated value of the Retirement System’s portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be lower or higher. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are audited at each fiscal year end as part of the annual audit of the Retirement System’s financial statements.

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

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

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates

determined by the CalPERS board. Section A8.510 of the Charter requires the City to pay the full amount required by the actuarial valuations. The actual total employer contributions to CalPERS was \$30.7 million in fiscal year 2017-18, and \$34.9 million in fiscal year 2018-19. In addition to the required amounts, the City elected to pay an additional amount of \$8.4 million in fiscal years 2017-18, 2018-19 and 2019-2020 in order to reduce its unfunded liability. Further discussion of the City's CalPERS plan obligations is summarized in Note 9 to the City's CAFR, as of June 30, 2019. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – Post-Employment Health Care Benefits and GASB 75 Reporting Requirements."

Medical Benefits

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

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

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

The San Francisco Health Service System oversees a trust fund (the "Health Service Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the City Beneficiaries are funded. The San Francisco Health Service System issues an annual, publicly available, independently-audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained through the SFHSS website, by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (628) 652-4770. Audited annual financial statements for prior years are posted to the SFHSS website, however the information available on the SFHSS website is not incorporated in this Official Statement by reference.

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

Determination of Employer and Employee Contributions for Medical Benefits

According to the City Charter Section A8.428, the City's contribution towards SFHSS Medical Plans for active employees and retirees is determined by the results of an annual survey of the amount of premium contributions provided by the ten most populous counties in California (other than the City) for health

care. The survey is commonly called the 10-County Average Survey and is used to determine “the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County.” The “average contribution” is used to calculate the City’s required contribution to the Health Service Trust Fund for retirees.

For unions representing approximately 93.3% of City employees, rather than applying the “average contribution” to determine the amount the City is required to contribute for active employees, a percentage-based employee premium contribution formula was negotiated through collective bargaining. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by SFHSS Beneficiaries or, if elected by the Health Service Board, from the assets of 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.*”

[Remainder of Page Intentionally Left Blank]

City Contribution for Retirees

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

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

Health Care Reform

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

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

- **Excise Tax on High-cost Employer-sponsored Health Plans**

The Excise Tax on High-cost Employer-sponsored Health Plans (Cadillac Tax) is a 40% excise tax on high-cost coverage health plans. The National Defense Authorization Act for Fiscal Year 2020, signed into law by President Trump on December 20, 2019, repealed the Cadillac tax, effective January 1, 2020.

- **Health Insurance Tax (“HIT”)**

The ACA also imposed a tax on health insurance providers, which was passed on to employer sponsored fully-insured plans in the form of higher premiums. The tax was repealed effective January 1, 2021. The HIT is in effect in 2020 and substantially impacted rates.

- **Medical Device Excise Tax**

The ACA’s medical device excise tax imposes a 2.3 percent tax on sales of medical devices (except certain devices sold at retail). The tax was repealed effective January 1, 2020.

- **Patient-Centered Outcomes Research Institute (PCORI) Fee**

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

Employer Contributions for San Francisco Health Service System Benefits

For fiscal year 2018-19, based on the most recent audited financial statements, the San Francisco Health Service System received approximately \$789.8 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately \$669.2 million; approximately \$186.5 million of this \$669.2 million amount was for health care benefits for approximately 22,563 retired City employees and their eligible dependents and approximately \$482.7 million was for benefits for approximately 32,931 active City employees and their eligible dependents.

The 2021 aggregate (employee and employer) cost of medical benefits offered by SFHSS to the City increased by 3.94%, which is below national trends of 5.5% to 6%. This can be attributed to several factors including aggressive contracting by SFHSS that maintains competition among the City’s vendors, implementing Accountable Care Organizations that reduced utilization and increased use of generic prescription rates and changing the City’s Blue Shield plan from a fully-funded to a flex-funded product and implementing a narrow network. Flex-funding allows lower premiums to be set by the City’s actuarial consultant, Aon, without the typical margins added by Blue Shield; however, more risk is assumed by the City and reserves are required to protect against this risk. The 2021 aggregate cost of benefits offered by SFHSS to the City increased 3.88% which is also less than the national trends.

Post-Employment Health Care Benefits

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

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

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

Proposition A, passed by San Francisco voters on November 5, 2013, restricted the City's ability to withdraw funds from the Retiree Health Care Trust Fund. The restrictions allow payments from the fund only when certain conditions are met. The balance in the Retiree Health Care Trust Fund as of June 30, 2018 is approximately \$240.1 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 75.

GASB 75 Reporting Requirements

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

City's Estimated Liability

The City is required by GASB 75 to prepare a new actuarial study of its postemployment benefits obligation at least once every two years. As of June 30, 2018, the most recent actuarial valuation date, the retiree health care fiduciary plan net position as a percentage of the total OPEB liability was 6.6%. As of June 30, 2019, the estimated covered payroll (annual payroll of active employees covered by the plan) was \$3.58 billion and the ratio of the Net OPEB liability to the covered payroll was 100.5%.

While GASB 75 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB liability. See Note 9(b) and the Required Supplementary Information to the City's CAFR, as of June 30, 2019. Five-year trend information is displayed in Table A-22.

[Remainder of Page Intentionally Left Blank]

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2014-15 to 2018-19
(000s)

Fiscal Year	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
2014-15	363,643	46.0%	1,990,155
2015-16	326,133	51.8%	2,147,434
2016-17	421,402	43.6%	2,384,938
2017-18	355,186	57.4%	3,717,209 ¹
2018-19	320,331	68.2%	3,600,967

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

Total City Employee Benefits Costs

Table A-23 provides historical and 2019-20 Original Budget information for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. Historically, approximately 50% of health benefit costs are paid from the General Fund. For all fiscal years shown, a “pay-as-you-go” approach was used by the City for health care benefits.

Table A-23 below provides a summary of the City’s employee benefit actual and budgeted costs from fiscal year 2015-16 to fiscal year 2019-20.

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2015-16 through 2019-20
(000s)

	2015-16 Actual ¹	2016-17 Actual ¹	2017-18 Actual ¹	2018-19 Actual ¹	2019-20 Budget ⁴
SFERS and PERS Retirement Contributions	\$531,821	\$554,956	\$621,055	\$650,011	\$733,385
Social Security & Medicare	184,530	196,914	\$212,782	\$219,176	\$229,342
Health - Medical + Dental, active employees ²	421,864	459,772	\$501,831	\$522,006	\$525,511
Health - Retiree Medical ²	158,939	165,822	\$178,378	\$186,677	\$195,607
Other Benefits ³	20,827	21,388	\$44,564	\$26,452	\$23,308
Total Benefit Costs	\$1,317,981	\$1,398,852	\$1,558,609	\$1,604,322	\$1,707,153

¹ Fiscal year 2015-16 through fiscal year 2018-19 figures are audited actuals.

² Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.

³ "Other Benefits" includes unemployment insurance premiums, life insurance and other miscellaneous employee benefits.

⁴ Figures for fiscal year 2019-20 are Original Budget amounts.

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

INVESTMENT OF CITY FUNDS

Investment Pool

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

Investment Policy

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

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

Investment Portfolio

As of May 31, 2020, the City’s surplus investment fund consisted of the investments classified in Table A-24 and had the investment maturity distribution presented in Table A-25.

[Remainder of Page Intentionally Left Blank]

TABLE A-24

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of May 31, 2020

<u>Type of Investment</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>
U.S. Treasuries	\$2,875,000,000	\$2,878,146,823	\$2,906,678,700
Federal Agencies	4,166,105,000	4,164,936,376	4,222,824,070
State and Local Obligations	56,736,414	56,407,741	57,498,677
Public Time Deposits	45,000,000	45,000,000	45,000,000
Negotiable Certificates of Deposit	1,418,790,000	1,418,827,427	1,423,920,201
Commercial Paper	755,000,000	747,015,879	754,862,817
Medium Term Notes	5,000,000	4,997,000	5,069,550
Money Market Funds	2,485,291,477	2,485,291,477	2,485,291,477
Supranationals	912,135,000	908,605,177	917,834,206
Total	\$12,719,057,891	\$12,709,227,900	\$12,818,979,697

May Earned Income Yield: 1.312%

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

TABLE A-25

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of May 31, 2020

<u>Maturity</u>	<u>in</u>	<u>Months</u>	<u>Par Value</u>	<u>Percentage</u>
0	to	1	3,915,866,477	30.79%
1	to	2	1,344,300,000	10.57%
2	to	3	380,490,000	2.99%
3	to	4	678,000,000	5.33%
4	to	5	538,030,000	4.23%
5	to	6	359,715,000	2.83%
6	to	12	2,015,986,414	15.85%
12	to	24	2,413,710,000	18.98%
24	to	36	370,140,000	2.91%
36	to	48	120,495,000	0.95%
48	to	60	582,325,000	4.58%
			\$12,719,057,891	100.00%

Weighted Average Maturity: 285 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, 2019 are described in the City's CAFR, Notes 2(c) 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 10-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC, 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 10-year capital plan every other fiscal year for approval by the Board of Supervisors. The Capital Plan is a fiscally constrained long-term finance strategy that prioritizes projects based on a set of funding principles. It provides an assessment of the City's infrastructure and other funding needs over 10 years, highlights investments required to meet these needs and recommends a plan of finance to fund these investments. Although the Capital Plan provides cost estimates and proposes methods to finance such costs, the document does not reflect any commitment by the Board of Supervisors to expend such amounts or to adopt any specific financing method. The Capital Plan is required to be updated and adopted biennially, along with the City's Five-Year Financial Plan and the Five-Year Information & Communication Technology Plan. The CPC is also charged with reviewing the annual capital budget submission and all long-term financing proposals and providing recommendations to the Board of Supervisors relating to the compliance of any such proposal or submission with the adopted Capital Plan.

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal year 2020-2029 Capital Plan was approved by the CPC on April 17, 2019 and was adopted by the Board of Supervisors on April 30, 2019. The Capital Plan contains \$39.1 billion in capital investments over the coming decade for all City departments, including \$5.1 billion in projects for General Fund-supported departments. The Capital Plan proposes \$2.2 billion for General Fund pay-as-you-go capital projects over the next 10 years. The amount for General Fund pay-as-you-go capital projects is assumed to grow to over \$200 million per year by fiscal year 2023-24. Major capital projects for General Fund-supported departments included in the Capital Plan consist of critical seismic projects and relocation of staff from seismically vulnerable facilities; upgrades to public health, police, and fire facilities; transportation and utility system improvements; improvements to homeless service sites; street and right-

of-way improvements; the removal of barriers to accessibility; and park improvements, among other capital projects. \$3.5 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long- term obligations, subject to planning policy constraints. The balance is expected to be funded by federal and State funds, the General Fund and other sources

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

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

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

Tax-Supported Debt Service – City General Obligation Bonds

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes (“general obligation bonds” or “GO bonds”) can only be authorized with a two-thirds approval of the voters. As of July 1, 2020, the City had approximately \$2.2 billion aggregate principal amount of GO bonds outstanding. In addition to the City’s general obligation bonds, BART, SFUSD and SFCCD also have outstanding general obligation as shown in Table A-31.

Table A-26 shows the annual amount of debt service payable on the City’s outstanding GO bonds.

[Remainder of Page Intentionally Left Blank]

TABLE A-26

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of July 1, 2020^{1 2}

Fiscal Year	Principal	Interest	Annual Debt Service
2020-21	146,635,457	92,889,114	239,524,571
2021-22	145,228,401	85,205,452	230,433,853
2022-23	150,035,251	78,150,114	228,185,364
2023-24	153,691,206	70,814,376	224,505,581
2024-25	155,591,476	63,325,798	218,917,274
2025-26	148,206,279	55,855,492	204,061,771
2026-27	154,390,840	49,131,050	203,521,890
2027-28	160,009,035	42,463,966	202,473,002
2028-29	161,236,751	35,902,968	197,139,719
2029-30	158,420,095	29,144,938	187,565,033
2030-31	121,271,950	22,652,264	143,924,214
2031-32	125,545,000	18,068,915	143,613,915
2032-33	91,790,000	13,592,094	105,382,094
2033-34	68,280,000	10,213,872	78,493,872
2034-35	60,525,000	7,777,367	68,302,367
2035-36	44,420,000	5,649,220	50,069,220
2036-37	32,815,000	4,095,129	36,910,129
2037-38	22,905,000	2,955,139	25,860,139
2038-39	3,280,000	2,133,507	5,413,507
2039-40	1,725,000	2,024,678	3,749,678
2040-41	1,795,000	1,954,971	3,749,971
2041-42	1,865,000	1,882,435	3,747,435
2042-43	1,940,000	1,807,070	3,747,070
2043-44	2,020,000	1,728,675	3,748,675
2044-45	2,100,000	1,647,047	3,747,047
2045-46	2,185,000	1,562,186	3,747,186
2046-47	2,275,000	1,473,890	3,748,890
2047-48	2,365,000	1,381,957	3,746,957
2048-49	2,460,000	1,286,387	3,746,387
2049-50	2,560,000	1,186,979	3,746,979
2050-51	2,670,000	1,076,361	3,746,361
2051-52	2,790,000	960,990	3,750,990
2052-53	2,910,000	840,435	3,750,435
2053-54	3,035,000	714,693	3,749,693
2054-55	3,165,000	583,551	3,748,551
2055-56	3,300,000	446,791	3,746,791
2056-57	3,445,000	304,198	3,749,198
2057-58	3,595,000	155,340	3,750,340
TOTAL³	2,152,476,740	713,039,407	\$2,865,516,148

¹ This table includes the City's General Obligation Bonds shown in Table A-31 and does not include any overlapping debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

² Totals reflect rounding to nearest dollar.

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

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

Authorized but Unissued City GO Bonds

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

In November 1992, voters approved Proposition A ("1992 Proposition A") which authorized the issuance of up to \$350.0 million in GO bonds to support San Francisco's Seismic Safety Loan Program ("SSLP"), which provides loans for the seismic strengthening of privately-owned unreinforced masonry affordable housing, market-rate residential, commercial and institutional buildings. Between 1994 and 2015, the City issued \$89.3 million of bonds under the original 1992 Proposition A authorization. In November 2016, voters approved Proposition C ("2016 Proposition C"), which amended the 1992 Proposition A authorization (together, the "1992A/2016A Propositions") to broaden the scope of the remaining \$260.7 million authorization by adding the eligibility to finance the acquisition, improvement, and rehabilitation to convert at-risk multi-unit residential buildings to affordable housing, as well as the needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs. In early 2019, \$72.4 million of bonds were issued under the 1992A/2016A Propositions. Currently \$188.3 million remains authorized and unissued.

In November 2014, voters approved Proposition A ("2014 Transportation Proposition"), which authorized the issuance of up to \$500.0 million in general obligation bonds for the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs. The City issued \$241.5 million over two series of bonds in 2015 and 2018, leaving \$258.6 million authorized and unissued.

In June 2016, voters approved Proposition A ("2016 Public Health & Safety Proposition"), which authorized the issuance of up to \$350.0 million in general obligation bonds 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. The City issued \$223.1 million over two series of the bonds in 2017 and 2018, leaving \$126.9 million authorized and unissued.

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

In November 2019, voters approved Proposition A ("2019 Affordable Housing Proposition"), which authorized the issuance of up to \$600.0 million in general obligation bonds to finance the construction, development, acquisition, and preservation of affordable housing for certain vulnerable San Francisco residents; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for San Francisco Unified School District and City College of San Francisco employees; and to pay related costs. Bonds have not been issued yet under this authorization.

In March 2020, voters approved Proposition B (“2020 Earthquake Safety and Emergency Response Proposition”) which authorized the issuance of up to \$628.5 million in general obligation bonds to aid fire, earthquake and emergency response by improving, constructing, and/or replacing: deteriorating cisterns, pipes, and tunnels, and related facilities to ensure firefighters a reliable water supply for fires and disasters; neighborhood fire and police stations and supporting facilities; the City's 911 Call Center; and other disaster response and public safety facilities, and to pay related costs. Bonds have not been issued yet under this authorization.

Refunding General Obligation Bonds

The Board of Supervisors adopted and the Mayor approved Resolution No. 272-04 in May of 2004 (“2004 Resolution”). The 2004 Resolution authorized the issuance of \$800.0 million of general obligation refunding bonds from time to time in one or more series for the purpose of refunding all or a portion of the City’s outstanding General Obligation Bonds. In November of 2011, the Board of Supervisors adopted and the Mayor approved, Resolution No. 448-11 (“2011 Resolution,” and together with the 2004 Resolution, the “Refunding Resolutions”). The 2011 Resolution authorized the issuance \$1.356 billion of general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. In March of 2020, the Board of Supervisors adopted and the Mayor approved, Resolution No. 097-20 (“2020 Resolution,” and together with the 2004 Resolution and 2011 Resolution, the “Refunding Resolutions”). The 2020 Resolution authorized the issuance \$1.483 billion of general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. The following refunding bonds remain currently outstanding, under the Refunding Resolutions, as shown in Table A-27 below.

TABLE A-27

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of July 1, 2020

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

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

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

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

Table A-28 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 July 1, 2020, the City had authorized and unissued general obligation bond authority of approximately \$2.2 billion.

TABLE A-28

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of July 1, 2020

Bond Authorization Name	Election Date	Authorized Amount	Series	Bonds Issued	Bonds Outstanding	Authorized & Unissued
Seismic Safety Loan Program	11/3/92	\$350,000,000	1994A	\$35,000,000	-	
			2007A	\$30,315,450	\$17,151,740	
			2015A	\$24,000,000	-	
<i>Reauthorization to Repurpose for Affordable Housing</i>	11/8/16		2019A	\$72,420,000	\$71,525,000	\$188,264,550 ¹
Clean & Safe Neighborhood Parks	2/5/08	\$185,000,000	2008B	\$42,520,000	-	
			2010B	\$24,785,000	-	
			2010D	\$35,645,000	\$32,910,000	
			2012B	\$73,355,000	-	
			2016A	\$8,695,000	\$6,855,000	- ¹
San Francisco General Hospital & Trauma Center	11/4/08	\$887,400,000	2009A	\$131,650,000	-	
Earthquake Safety			2010A	\$120,890,000	-	
			2010C	\$173,805,000	\$160,465,000	
			2012D	\$251,100,000	\$139,315,000	
			2014A	\$209,955,000	\$145,960,000	- ¹
Earthquake Safety and Emergency Response Bond	6/8/10	\$412,300,000	2010E	\$79,520,000	-	
			2012A	\$183,330,000	-	
			2012E	\$38,265,000	\$26,755,000	
			2013B	\$31,020,000	\$15,860,000	
			2014C	\$54,950,000	\$38,175,000	
			2016C	\$25,215,000	\$20,450,000	- ¹
Road Repaving & Street Safety	11/8/11	\$248,000,000	2012C	\$74,295,000	-	
			2013C	\$129,560,000	\$66,195,000	
			2016E	\$44,145,000	\$35,795,000	- ¹
Clean & Safe Neighborhood Parks	11/6/12	\$195,000,000	2013A	\$71,970,000	\$36,785,000	
			2016B	\$43,220,000	\$22,255,000	
			2018A	\$76,710,000	\$43,145,000	
			2019B	\$3,100,000	-	- ¹
Earthquake Safety and Emergency Response Bond	6/3/14	\$400,000,000	2014D	\$100,670,000	\$69,920,000	
			2016D	\$109,595,000	\$68,985,000	
			2018C	\$189,735,000	\$132,715,000	- ¹
Transportation and Road Improvement	11/4/14	\$500,000,000	2015B	\$67,005,000	\$39,985,000	
			2018B	\$174,445,000	\$98,115,000	\$258,550,000 ¹
Affordable Housing Bond	11/3/15	\$310,000,000	2016F	\$75,130,000	\$46,130,000	
			2018D	\$142,145,000	\$98,120,000	
			2019C	\$92,725,000	\$25,225,000	- ¹
Public Health and Safety Bond	6/7/16	\$350,000,000	2017A	\$173,120,000	\$112,175,000	
			2018E	\$49,955,000	\$35,195,000	\$126,925,000
Embarcadero Seawall Earthquake Safety	11/6/18	\$425,000,000	2020A	\$49,675,000	\$9,475,000	\$375,325,000
Affordable Housing Bond	11/5/19	\$600,000,000				\$600,000,000
Earthquake Safety and Emergency Response Bond	3/3/20	\$628,500,000				\$628,500,000
SUBTOTAL		\$5,491,200,000		\$3,313,635,450	\$1,615,636,740	\$2,177,564,550
General Obligation Refunding Bonds				Bonds Issued	Bonds Outstanding	
Series 2011-R1	11/9/12			\$339,475,000	\$120,760,000	
Series 2015-R1	2/25/15			\$293,910,000	\$220,830,000	
Series 2020-R1	5/7/20			\$195,250,000	\$195,250,000	
SUBTOTAL				\$828,635,000	\$536,840,000	
TOTALS		\$5,491,200,000		\$4,142,270,450	\$2,152,476,740	\$2,177,564,550

¹ Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all taxable real and personal property, located within the City and County.

² Of the \$35,000,000 authorized by the Board of Supervisors in February 2007, \$30,315,450 has been drawn upon to date pursuant to the Credit Agreement described under "General Obligation Bonds."

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

General Fund Lease Obligations

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

Table A-29 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding long-term lease revenue bonds and certificates of participation as of July 1, 2020.

[Remainder of Page Intentionally Left Blank]

TABLE A-29

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of July 1, 2020¹

Fiscal Year ²	Principal	Interest ³	Annual Payment Obligation
2020-21	57,640,000	64,058,824	121,698,824
2021-22	58,080,000	61,435,465	119,515,465
2022-23	61,305,000	58,765,744	120,070,744
2023-24	64,205,000	55,941,418	120,146,418
2024-25	65,305,000	52,955,087	118,260,087
2025-26	66,610,000	49,957,666	116,567,666
2026-27	69,745,000	46,794,502	116,539,502
2027-28	64,640,000	43,637,007	108,277,007
2028-29	69,600,000	40,500,835	110,100,835
2029-30	70,200,000	37,378,013	107,578,013
2030-31	65,535,000	34,517,264	100,052,264
2031-32	58,550,000	31,911,416	90,461,416
2032-33	59,625,000	29,519,716	89,144,716
2033-34	62,105,000	26,887,785	88,992,785
2034-35	53,165,000	24,516,247	77,681,247
2035-36	53,125,000	22,213,443	75,338,443
2036-37	52,505,000	19,873,029	72,378,029
2037-38	54,635,000	17,552,864	72,187,864
2038-39	56,845,000	15,136,956	71,981,956
2039-40	59,160,000	12,618,872	71,778,872
2040-41	61,560,000	9,997,668	71,557,668
2041-42	56,000,000	7,430,811	63,430,811
2042-43	20,990,000	5,247,200	26,237,200
2043-44	19,855,000	4,388,600	24,243,600
2044-45	20,650,000	3,594,400	24,244,400
2045-46	13,695,000	2,768,400	16,463,400
2046-47	14,245,000	2,220,600	16,465,600
2047-48	13,220,000	1,650,800	14,870,800
2048-49	13,750,000	1,122,000	14,872,000
2049-50	14,300,000	572,000	14,872,000
TOTAL⁵	\$1,470,845,000	\$785,164,633	\$2,256,009,633

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

SFGH Emergency Backup Generators Project (\$10,951,575)

Gsmart Citywide Emergency Radio Replacement Project (\$22,855,573)

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

³ Totals reflect rounding to nearest dollar.

⁴ Excludes payments made to date in current fiscal year.

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

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

Voter-Approved Lease Revenue Bonds

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

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

In 1990, voters approved Proposition C ("1990 Proposition C"), which amended the Charter to authorize the City to lease- purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. 1990 Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed \$20.0 million, with such amount increasing by five percent each fiscal year. As of May 15, 2020, the total authorized and unissued amount for such financings was \$82.3 million.

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

In 2000, voters approved Proposition C ("2000 Proposition C"), which extended a two- and one-half cent per \$100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). 2000 Proposition C also authorized the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. In August 2018 the City issued refunding lease revenue bonds, which are currently outstanding in the principal amount of \$31.9 million to refund Series 2006 and 2007 Open Space Fund lease revenue bonds.

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

Table A-30 below lists the City's outstanding certificates of participation and voter-authorized lease revenue bonds.

TABLE A-30*

CITY AND COUNTY OF SAN FRANCISCO
Outstanding Certificates of Participation and Lease Revenue Bonds
As of July 1, 2020

Issue Name	Final Maturity	Original Par	Outstanding Principal
CERTIFICATES OF PARTICIPATION			
Series 2009C (525 Golden Gate Avenue)	2022	\$38,120,000	\$12,490,000
Series 2009D - Taxable BABs (525 Golden Gate Avenue)	2041	129,550,000	129,550,000
Refunding Series 2010A	2033	138,445,000	90,950,000
Refunding Series 2011A (Moscone Center South)	2024	23,105,000	11,690,000
Series 2012A (Multiple Capital Improvement Projects)	2036	42,835,000	32,580,000
Series 2013B - Non-AMT (Port Facilities Project)	2038	4,830,000	4,830,000
Series 2013C - AMT (Port Facilities Project)	2043	32,870,000	23,965,000
Refunding Series 2014-R1 (Courthouse Project)	2021	13,615,000	2,230,000
Refunding Series 2014-R2 (Juevenile Hall Project)	2034	33,605,000	26,030,000
Series 2015A (War Memorial Veterans Building)	2045	112,100,000	112,100,000
Series 2015B - Taxable (War Memorial Veterans Building)	2024	22,225,000	7,935,000
Refunding Series 2015-R1 (City Office Buildings - Multiple Properties)	2040	123,600,000	112,030,000
Series 2016A (War Memorial Veterans Building)	2032	16,125,000	12,540,000
Series 2017A - Taxable (Hope SF)	2047	28,320,000	26,445,000
Series 2017B (Moscone Convention Center Expansion Project)	2042	412,355,000	392,255,000
Series 2019A (49 South Van Ness Project)	2050	247,810,000	247,810,000
Refunding Series 2019-R1 (Multiple Capital Improvement Projects)	2035	116,460,000	107,005,000
Subtotal Certificates of Participation		\$1,535,970,000	\$1,352,435,000
LEASE PURCHASE FINANCING			
2010 Lease Purchase Financing (SFGH Emergency Backup Generators)	2025	\$22,549,489	\$10,951,575
2016 Lease Purchase Financing (Public Safety Radio Replacement Project)	2026	34,184,136	22,855,573
Subtotal Lease Revenue Bonds		\$56,733,625	\$33,807,148
FINANCE CORPORATION LEASE REVENUE BONDS			
Refunding Series 2008-1 (Moscone Center Expansion Project) - Variable	2030	\$72,670,000	\$36,100,000
Refunding Series 2008-2 (Moscone Center Expansion Project) - Variable	2030	72,670,000	36,100,000
Refunding Series 2010-R1 (Emergency Communications System)	2024	22,280,000	6,060,000
Refunding Series 2018A (Open Space Fund - Various Park Projects)	2029	34,950,000	29,090,000
Refunding Series 2018B (Branch Library Improvement Program)	2028	13,355,000	11,060,000
Subtotal Lease Revenue Bonds		\$215,925,000	\$118,410,000
Total General Fund Obligations		\$1,808,628,625	\$1,504,652,148

*Excludes 833 Bryant lease

Board Authorized and Unissued Long-Term Certificates of Participation

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

Animal Care and Control Renovation Project: In November 2016, the Board authorized, and the Mayor approved the issuance of not to exceed \$60.5 million of City and County of San Francisco Certificates of Participation to finance the costs acquisition, construction, and improvement of an animal care and control facility. The City anticipates issuing the certificates in Fiscal Year 2020-21.

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

Hall of Justice Relocation Projects: In October 2019, the Board authorized and the Mayor approved the issuance of not to exceed \$94.6 million of City and County of San Francisco Certificates of Participation (Multiple Capital Projects) to (i) finance or refinance the site acquisition of 814-20 Bryant Street and 470 6th Street and related construction, acquisitions, and improvement costs; and (ii) finance or refinance the acquisition of 1828 Egbert Avenue and related construction, acquisitions, and improvement costs. The City anticipates issuing the certificates in Fiscal Year 2020-21.

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

HOPE SF Project: In December 2019, the Board authorized and the Mayor approved the issuance of not to exceed \$83.6 million of City and County of San Francisco Certificates of Participation to finance or refinance certain capital improvements, including but not limited to certain properties generally known as Hunters View, Sunnydale, and Potrero Terrace and Annex housing developments. The City anticipates issuing the certificates in Fiscal Year 2021-22.

Commercial Paper Program

In March 2009, the Board authorized and the Mayor approved a not-to-exceed \$150.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 1 and 1-T and Series 2 and 2-T (the “Original CP Program”). In July of 2013, the Board authorized, and the Mayor approved an additional \$100.0 million of Lease Revenue Commercial Paper Certificates of Participation, Series 3 and 3-T and Series 4 and 4-T (the “Second CP Program” and together with the Original CP Program, the “City CP Program”) that increased the total authorization of the City CP Program to \$250.0 million. Commercial Paper Notes (the “CP Notes”) are issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital

equipment and vehicles in anticipation of long-term or other take-out financing to be issued when market conditions are favorable. Projects are eligible to access the CP Program once the Board and the Mayor have approved the project and the long-term, permanent financing for the project.

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

As of July 1, 2020, the outstanding principal amount of CP Notes is \$119.98 million. The weighted average interest rate for the outstanding CP Notes is approximately 0.29%. The projects with Board Authorized and Unissued Certificates of Participation currently utilizing the CP Program include Animal Care and Control, Housing Trust Fund, and the Hall of Justice Relocation Project. Also utilizing the CP Program is the San Francisco General Hospital and Trauma Project which is financing the costs of the acquisition of furniture, fixtures and equipment ("SFGH FF&E"). The following is a summary of the outstanding liability by project associated with the CP Notes outstanding.

Project	CP Notes Liability as of 7/1/2020
Animal Care and Control	\$10,806,941
Housing Trust Fund	\$18,711,868
Hall of Justice Relocation	\$78,671,132
SFGH FF&E	\$11,793,059
TOTAL	\$119,983,000

Transbay Transit Center Interim Financing

In May 2016, the Board authorized and the Mayor approved the establishment of not-to-exceed \$260.0 million Lease Revenue Commercial Paper Certificates of Participation ("Short-Term Certificates") to meet cash flow needs during the construction of phase one of the Transbay Transit Center (now known as the Salesforce Transit Center). The Short-Term Certificates are expected to be repaid in part from Transbay Transit Center CFD bond proceeds (secured by special taxes) and tax increment. It is anticipated that long-term debt will be issued to retire the Short-Term Certificates, and such long-term debt is also expected to be repaid from such sources.

The Short-Term Certificates originally consisted of \$160.0 million of direct placement revolving certificates with Wells Fargo, expiring in January 2022, and \$100.0 million of direct placement revolving certificates with Bay Area Toll Authority, which expired December 31, 2018. Of the \$260.0 million authorized, \$103.0 million was drawn. On May 19, 2020, the outstanding balance of \$76.0 million on the Wells Fargo financing facility was paid off by bond proceeds from the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2020B.

Overlapping Debt

Table A-31 shows bonded debt and long-term obligations as of July 1, 2020 sold in the public capital markets, except for those financings otherwise noted in the table, by the City and those public agencies

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

TABLE A-31

CITY AND COUNTY OF SAN FRANCISCO
Statement of Direct and Overlapping Debt and Long-Term Obligations
As of July 1, 2020

<u>2019-20 Assessed Valuation</u> (includes unitary utility valuation):	\$281,683,409,781 ¹
<u>GENERAL OBLIGATION BONDED DEBT</u>	
San Francisco City and County	\$2,152,476,741
San Francisco Unified School District	833,320,000
San Francisco Community College District	197,955,000
TOTAL GENERAL OBLIGATION BONDS	<u>\$3,183,751,741</u>
<u>LEASE OBLIGATIONS BONDS</u>	
San Francisco City and County	<u>\$1,493,700,574</u>
LONG-TERM OBLIGATIONS	<u>\$1,493,700,574</u> ²
TOTAL COMBINED DIRECT DEBT	\$4,677,452,315
<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	
Bay Area Rapid Transit District General Obligation Bond (34.606%) ²	\$443,905,004 ³
San Francisco Community Facilities District No. 4	10,600,000
San Francisco Community Facilities District No. 6	123,466,726
San Francisco Community Facilities District No. 7	32,135,000
San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2	2,701,034
San Francisco Community Facilities District No. 2014-1 Transbay Transit Center	475,665,000
City of San Francisco Assessment District No. 95-1	405,000
ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements	9,500,000
ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill	5,105,000
ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza	2,905,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	<u>\$1,106,387,764</u>
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$800,377,447
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	\$6,584,217,526 ⁴
<u>Ratios to 2019-20 Assessed Valuation (\$281,683,409,781)</u>	<u>Actual Ratio</u>
Direct General Obligation Bonded Debt (\$3,183,751,741)	1.13% ⁵
Combined Direct Debt (\$4,677,452,315)	1.66%
Total Direct and Overlapping Bonded Debt	2.34%
<u>Ratio to 2019-20 Redevelopment Incremental Valuation (\$34,366,733,708)</u>	
Total Overlapping Tax Increment Debt	2.33%

¹ Includes \$610,103,200 homeowner's exemption for FY19-20.

² Excludes 833 Bryant lease and privately placed SFGH Emergency Backup Generators Project, outstanding in the principal amount of \$10,951,575 as of 7/1/20.

³ Reflects 2019-20 ratio.

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

⁵ The Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City. The City's general obligation debt as a percentage of FY19-20 AV is 0.76%.

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

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

Article XIII A of the California Constitution

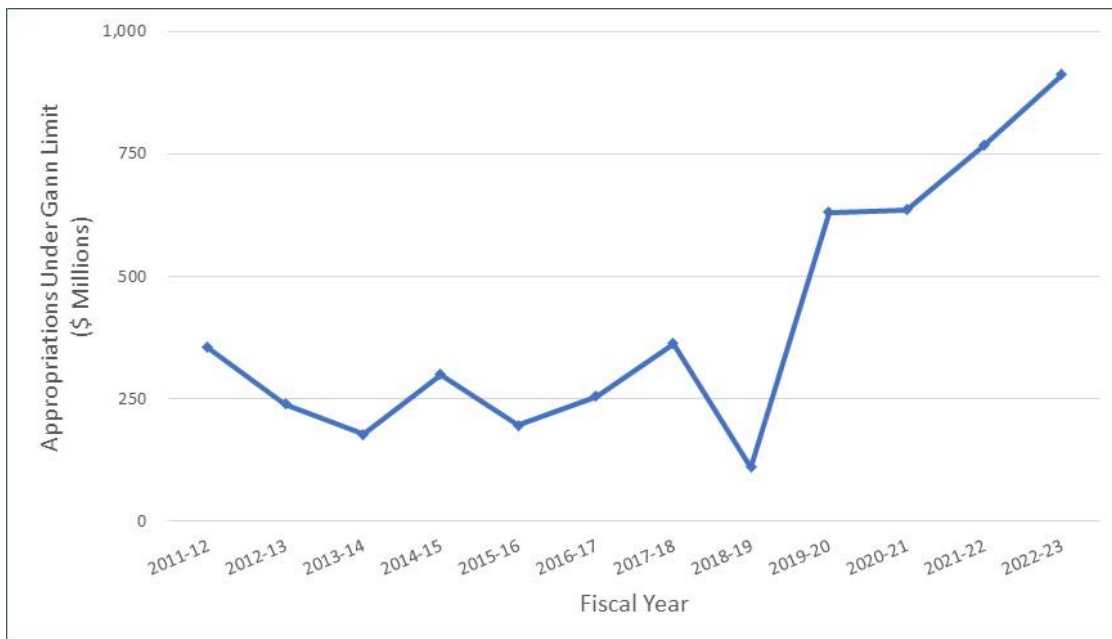
Article XIII A of the California Constitution, known as "Proposition 13," was approved by the California voters in June of 1978. It limits the amount of *ad valorem* tax on real property to 1% of "full cash value," as determined by the county assessor. Article XIII A defines "full cash value" to mean 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 XIII A) 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 XIII A 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 XIII A 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 XIII B of the California Constitution

Article XIII B was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIII B 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 XIII B includes a requirement that if an entity's average revenues over two consecutive years exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the following two years. With voter approval, the appropriations limit can be raised for up to four years. See the graph below for appropriations available under the Gann Limit.



Articles XII C and XII D of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XII C and XII D 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 XII C 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 XII 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 XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIII C, 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 XIII C. 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 XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIII D) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement purposes and community benefit purposes and has caused limited obligation bonds to be issued in 1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

Proposition 1A

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

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

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

Proposition 22

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

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

Proposition 26

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

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

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

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

Future Initiatives and Changes in Law

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

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

LEGAL MATTERS AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 18 to the City's CAFR as of June 30, 2019. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not materially impair the ability of the City to pay debt service on its General Fund lease obligations or other debt obligations, nor have an adverse impact on City finances.

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, San Francisco Superior Court No. 16-553758 ("Lehman Lawsuit") against TJPA and the individual members of the TJPA, including the City. The TJPA is responsible under State law for developing and operating the Salesforce Transit Center, which will be a new regional transit hub located near the Millennium Tower.

The TJPA began excavation and construction of the Salesforce Transit Center in 2010, after the Millennium Tower was completed. In brief, the Lehman Lawsuit claims that the construction of the Salesforce 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 Salesforce 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. In total, eight lawsuits have been filed against TJPA, and a total of three of those name the City.

In addition to the Lehman Lawsuit, the City is named as a defendant in two lawsuits filed by owners of multiple units, the Ying Lawsuit (Case No. 17-559210) and the Turgeon Lawsuit (Case No. 18-564417). The Ying and Turgeon Lawsuits contain similar claims as the Lehman Lawsuit. In the Summer of 2019, the parties announced a tentative settlement of matters relating to the lawsuit. For the settlement to be effective, a number of events must occur, including approval of the settlement by all parties and the Court. These approvals could occur in August 2020. While the City expects that all necessary events will occur for the settlement to become final and effective, no assurance can be given by the City that the settlement will be finalized. If the settlement becomes void, litigation may resume. If litigation were to resume, the City cannot now make any prediction as to the outcome of any such lawsuits, or whether the lawsuits, if determined adversely to the TJPA or the City, would have a material adverse impact on City finances.

Ongoing Investigations

On January 28, 2020 the City's former Director of Public Works Mohammad Nuru was indicted on federal criminal charges of public corruption, including honest services wire fraud and lying to Federal Bureau of Investigation officials. The allegations contained in the complaint involve various schemes, including an attempt by Mr. Nuru and Mr. Nick Bovis, a local restaurateur who was also indicted by the federal government, to bribe an Airport Commissioner to influence the award of lease of space at the San Francisco International Airport, Mr. Nuru using his official position to benefit a developer of a mixed-use

project in San Francisco in exchange for personal gifts and benefits; Mr. Nuru attempting to use his former position as the chair of the Transbay Joint Powers Authority to secure a lease for Mr. Bovis in the Transbay Transit Center, in exchange for personal benefits provided by the restaurateur; Mr. Nuru providing Mr. Bovis with inside information on City projects regarding contracts for portable bathroom trailers and small container-like housing units for use by the homeless, so that Mr. Bovis could win the contracts for those projects; and Mr. Nuru obtaining free and discounted labor and construction equipment from contractors to help him build a personal vacation home while those contractors were also engaging in business with the City. Mr. Nuru resigned from employment with the City two weeks after his arrest. On February 4, 2020, City Attorney Dennis Herrera and Controller Ben Rosenfield announced a joint investigation that was underway, stemming from federal criminal charges filed against Mr. Nuru and Mr. Bovis.

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

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

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

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

Risk Retention Program

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

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

Through coordination between the City Controller and the City Attorney's Office, the City's general liability risk exposure is actuarially determined and is addressed through appropriations in the City's budget and also reflected in the 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 some City budgetary savings in recent years. The City continues to develop and implement programs to lower or mitigate workers' compensation costs. These programs focus on accident prevention, transitional return to work for injured workers, improved efficiencies in claims handling and maximum utilization of medical cost containment strategies.

The City's estimated liability and workers' compensation risk exposures are summarized in Note 18 to the City's CAFR for Fiscal Year ended June 30, 2019.

APPENDIX B

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND EXPENDITURES

Property Tax Rate Limitations – Article XIII A

Article XIII A of the California Constitution limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIII A 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 have occurred after the 1975 assessment.” The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the City and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situation.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Appropriations Limitations – Article XIII B

An initiative to amend the State Constitution entitled “Limitation of Government Appropriations” was approved on September 6, 1979 thereby adding Article XIII B to the State Constitution (“Article XIII B”). Under Article XIII B, the State and each local governmental entity has an annual “appropriations limit” and is not permitted to spend certain moneys that are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIII B does not affect the appropriations of moneys that are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the

amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

“Appropriations subject to limitation” are authorizations to spend “proceeds of taxes,” which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service,” but “proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on appropriations of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds.

Not included in the Article XIII B limit are appropriations for the debt service costs of bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government and appropriations for qualified capital outlay projects. The appropriations limit may also be exceeded in certain cases of emergency.

The appropriations limit for the City in each year is based on the City’s limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the City’s option, either (1) the percentage change in State per capita personal income, or (2) the percentage change in the local assessment roll on nonresidential property. Either test is likely to be greater than the change in the cost of living index, which was used prior to Proposition 111.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by a City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. As originally enacted in 1979, the City’s appropriations limit was based on 1978-79 authorizations to expend proceeds of taxes and was adjusted annually to reflect changes in cost of living and population (using different definitions, which were modified by Proposition 111). Starting with Fiscal Year 1990-91, the City’s appropriations limit was recalculated by taking the actual Fiscal Year 1986-87 limit, and applying the annual adjustments as if Proposition 111 had been in effect.

Articles XIII C and XIII D of California Constitution – Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the California constitution, which contains a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes or increases in existing local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City’s General Fund, require a two-thirds vote. The voter-approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet any increased expenditure requirements.

Article XIII D contains provisions relating to how local agencies may levy and maintain “assessments” for municipal services and programs. “Assessment” is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. Article XIII D also contains several provisions affecting “property-related fees” and “charges,” defined for purposes of Article XIII D

to mean “any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.” All new and existing property-related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property-related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property-related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Fees for electrical and gas service are explicitly exempted from the definition of “property-related” under Article XIID. Property-related fees or charges for services other than sewer, water and refuse collection services may not be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. In addition to the provisions described above, Proposition 218 removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge.

Proposition 218 continues to be interpreted by California courts. The State Supreme Court’s 2006 decision in *Bighorn-Desert View Water Agency* found that metered charges for consumption of water by a public agency fell within the “property-related” fees subject to Proposition 218. Fees for sewer and refuse collection could also be found to be within the definition of property-related fees. If such charges are property-related charges, rate increases would be subject to notice, hearing and majority protest, but not prior voter approval, and rates and charges could be reduced by referendum.

Proposition 1A

Proposition 1A (SCA 4), proposed by the Legislature in connection with the 2004-05 Budget Act 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. By adding Section 25.5 to Article XIII of the State Constitution, Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. 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 State Legislature.

Proposition 1A provides, however, that 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 of the State Legislature 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.

By amending Section 15 of Article XI of the State Constitution, Proposition 1A also provides that if the State reduces the Vehicle License Fee rate currently in effect, which is 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, by amending Section 6 of Article XIII B of the State Constitution, Proposition 1A required the State, beginning on July 1, 2005, to suspend State mandates affecting cities, counties and special districts, schools or

community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Proposition 22

On November 2, 2010, voters in the State approved Proposition 22. Proposition 22, known as the “Local Taxpayer, Public Safety, and Transportation Protection Act of 2010,” eliminates or reduces the State’s authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for state-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 26

On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (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; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The City does not expect the provisions of Proposition 26 to materially and adversely affect its ability to pay Rental Payments when due.

Proposition 30

The passage of the Governor’s November Tax Initiative (“Proposition 30”) placed on the November 2012 ballot results in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first \$250,000 in income and on couples after their first \$500,000 in earnings. These increased tax rates will affect approximately 1 percent of California personal income tax filers and will be in effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The quarter-cent sales-tax component expired on December 31, 2016. The passage of the Tax Extension to Fund Education and Healthcare (“Proposition 55”) in November 2016 extends the income tax increase on high-income taxpayers for an additional 12 years through 2030. The LAO estimates that, as a result of Proposition 55, increased state tax revenues of about \$4 billion to \$9 billion annually from fiscal years 2019 through 2030 depending on the economy and stock market.

Future Initiatives

Article XIII A, Article XIII B and the other Propositions referenced above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other State or local initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

[THIS PAGE INTENTIONALLY LEFT BLANK]

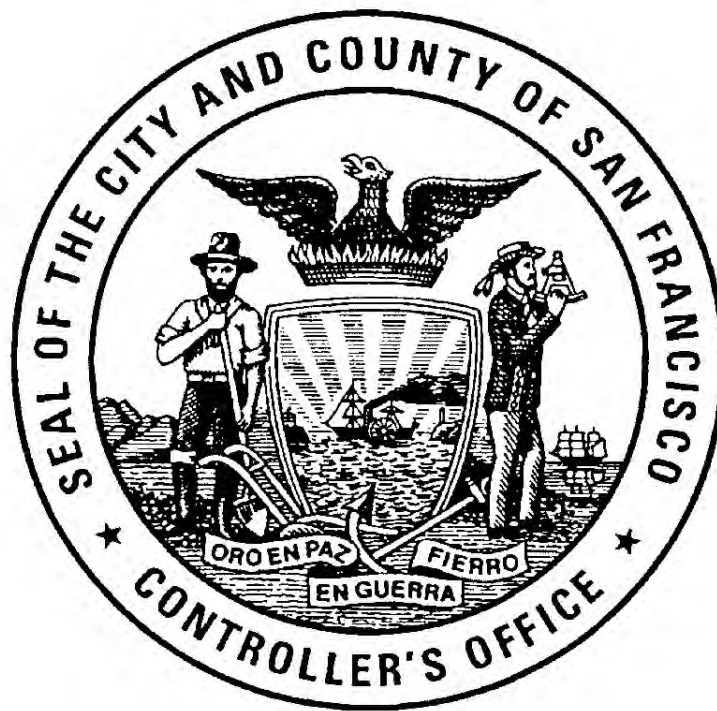
APPENDIX C

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY AND COUNTY OF SAN FRANCISCO
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report Year ended June 30, 2019



**Prepared by:
Office of the Controller**

**Ben Rosenfield
Controller**



This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report

Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Controller's Letter of Transmittal	i
Certificate of Achievement - Government Finance Officers Association	vii
City and County of San Francisco Organization Chart	viii
List of Principal Officials	ix
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis (unaudited)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	24
Statement of Activities	26
Fund Financial Statements:	
Balance Sheet - Governmental Funds	27
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position ..	28
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Net Position - Proprietary Funds	31
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	33
Statement of Cash Flows - Proprietary Funds	34
Statement of Fiduciary Net Position - Fiduciary Funds	36
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	37
Notes to the Basic Financial Statements:	
(1) The Financial Reporting Entity	38
(2) Summary of Significant Accounting Policies	40
(3) Reconciliation of Government-wide and Fund Financial Statements	50
(4) Effects of New Accounting Pronouncements	56
(5) Deposits and Investments	57
(6) Property Taxes	80
(7) Capital Assets	81
(8) Bonds, Loans, Capital Leases and Other Payables	83
(9) Employee Benefit Programs	107
(10) Fund Equity	130
(11) Unavailable Resources in Governmental Funds	133
(12) San Francisco County Transportation Authority	133
(13) Detailed Information for Enterprise Funds	135
(14) Successor Agency to the Redevelopment Agency of the City and County of San Francisco	154
(15) Treasure Island Development Authority	158

CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report

Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
(16) Interfund Receivables, Payables and Transfers	160
(17) Commitments and Contingent Liabilities.....	162
(18) Risk Management	165
(19) Subsequent Events	167
Required Supplementary Information (unaudited):	
Pension Plans:	
Schedules of the City's Proportionate Share of the Net Pension Liability	171
Schedules of Changes in Net Pension Liability and Related Ratios	173
Schedules of Changes in Total Pension Liability and Related Ratios.....	174
Schedules of Employer Contributions – Pension Plans	175
Other Postemployment Healthcare Benefits Plans:	
Schedules of Changes in Net Other Postemployment Healthcare Benefits Liability and Related Ratios	181
Schedules of Employer Contributions – Other Postemployment Healthcare Benefits Plans...	183
Budgetary Comparison Schedule - General Fund.....	184
Combining Financial Statements and Schedules:	
Nonmajor Governmental Funds.....	190
Combining Balance Sheet - Nonmajor Governmental Funds	193
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	194
Combining Balance Sheet - Nonmajor Governmental Funds - Special Revenue Funds.....	195
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Special Revenue Funds.....	199
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budget Basis - Special Revenue Funds	203
Schedule of Expenditures by Department - Budget and Actual - Budget Basis - Special Revenue Funds	215
Combining Balance Sheet - Nonmajor Governmental Funds - Debt Service Funds	220
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Debt Service Funds	221
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budget Basis - Debt Service Fund	222
Combining Balance Sheet - Nonmajor Governmental Funds - Capital Projects Funds.....	223
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Capital Projects Funds.....	225
Internal Service Funds	227
Combining Statement of Net Position - Internal Service Funds	228
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds.....	229
Combining Statement of Cash Flows - Internal Service Funds.....	230

CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report

Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
Fiduciary Funds	231
Combining Statement of Fiduciary Net Position – Fiduciary Funds - Pension and Other Employee Benefit Trust Funds	232
Combining Statement of Changes in Fiduciary Net Position - Fiduciary Funds – Pension and Other Employee Benefit Trust Funds	233
Combining Statement of Changes in Assets and Liabilities - Agency Funds.....	234
 STATISTICAL SECTION	
Net Position by Component – Last Ten Fiscal Years	238
Changes in Net Position – Last Ten Fiscal Years	239
Fund Balances of Governmental Funds – Last Ten Fiscal Years	241
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	242
Assessed Value of Taxable Property – Last Ten Fiscal Years.....	244
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	245
Principal Property Assesseees – Current Fiscal Year and Nine Fiscal Years Ago	246
Property Tax Levies and Collections – Last Ten Fiscal Years	247
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	248
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	249
Legal Debt Margin Information – Last Ten Fiscal Years.....	250
Direct and Overlapping Debt.....	251
Pledged-Revenue Coverage – Last Ten Fiscal Years.....	252
Demographic and Economic Statistics – Last Ten Fiscal Years	254
Principal Employers – Current Year and Nine Years Ago	255
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years.....	256
Operating Indicators by Function – Last Ten Fiscal Years	257
Capital Asset Statistics by Function – Last Ten Fiscal Years.....	258



This page has been intentionally left blank.



INTRODUCTORY SECTION

- Controller's Letter of Transmittal
- Certificate of Achievement - Government Finance
Officers Association
- City and County of San Francisco Organization Chart
- List of Principal Officials



This page has been intentionally left blank.

December 30, 2019

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the year ended June 30, 2019, with the independent auditor's report. The report is submitted in compliance with City Charter sections 2.115 and 3.105, and California Government Code Sections 25250 and 25253. The Office of the Controller prepared the CAFR in conformance with the principles and standards for accounting and financial reporting set forth by the Governmental Accounting Standards Board (GASB).

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

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

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

SAN FRANCISCO GOVERNMENT:

Profile of San Francisco Government

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

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

Overview of Recent Economic Trends

An educated workforce, a critical mass of successful business, and easy access to transit and financial capital continue to drive economic growth in the City. The unprecedented growth of the last decade, driven by the technology sector, has made San Francisco the center of the Bay Area's regional economy and among the fastest growing large counties in the country. The City's unemployment rate in fiscal year 2018-19 averaged 2.3%, a drop from the prior year's rate of 2.6%, and one of the lowest of any city in the nation. In comparison, average unemployment rates for California and the nation for fiscal year 2018-19 stood at 4.2% and 3.8%, respectively.

The resident population also continued to grow, reaching a new historical high of 883,305 in 2018 according to the U.S. Census Bureau. This represents a 0.5% increase over the prior year, and a cumulative growth of 75,304 or 9.3%, over the last decade.

Key indicators of the City's real estate market have shown marked improvement over the past fiscal year. Commercial rents and median home prices increased to new historical highs. The monthly per square foot rental rates for commercial space grew to \$81.72 in fiscal year 2018-19, a 9.1% increase from the prior year.

Infrastructure constraints reflected in rising housing prices, commercial rents, and transportation congestion and commute times have contributed to slowing growth in San Francisco despite its strong economic fundamentals and the overall health of the U.S. economy. A tight local labor market combined with historically modest housing production have limited the City's ability to add residents and workers. The private sector employment grew by 2.7% in the San Francisco metropolitan division from fiscal year 2017-18 to fiscal year 2018-19. The rate of employment growth in the metro division has decelerated from earlier in the decade when it averaged about 4.7%.

Key Government Initiatives

San Francisco's economy depends on public investments in services and infrastructure that benefit City residents, workers, visitors, and businesses. As a combined city and county, these investments are required across a broad array of public services, including health and human services, public protection, transportation, economic development and planning, parks and libraries, and in the vast public infrastructure that support these services and the broader local economy. Several critical initiatives critical to the long-term economic and financial health of the City are described below.

Housing Production & Affordability

As outlined above, the strength of the local economy since the last recession has driven improvement across a broad array of economic measures, including significant reductions in unemployment and increases to household income among City residents. This economic strength has driven significant growth in property, business, and other local taxes that have, in part, led to the strengthening of the City's financial position while providing the resources to invest in these and other initiatives.

This economic growth, combined with a longstanding imbalance between the supply of and demand for housing, has led to very high housing prices in the City and the region. During fiscal year 2018-19, the median home value in San Francisco rose to \$1.4 million, an annual increase of 4.4%. The median market rent for apartments was \$4,523 per month in fiscal year 2018-19.

Meeting this demand with both market-rate and affordable housing has been a key City policy focus. A large amount of private construction was completed or underway during fiscal year 2018-19, with over 4,000

housing units completed, and nearly 10,000 additional units under construction at the end of the fiscal year. Much of this development is shaped by major area planning efforts that the City completed in prior years, including in the Eastern Neighborhoods, Market & Octavia, Mission Bay, the Transit Center District. A significant new plan for the Central South of Market (SOMA) area was completed in fiscal year 2018-19. The City has also approved large-scale development project plans for Treasure Island, the Hunters Point Shipyard, and Park Merced.

This increase in construction has been matched with greater investments in subsidized affordable housing in the City for lower income families and individuals. A gradually increasing share of new private housing development will have to be constructed for low- and moderate-income households, as required by City development requirements adopted in 2017. The City, through the Mayor's Office on Housing and Community Development, disbursed \$172.5 million in loans and grants to purchase, produce or preserve affordable housing in fiscal year 2018-19, and is implementing a \$310 million general obligation bond approved by the voters in November 2015 and a \$261 million general obligation bond approved by the voters in November 2016 to develop, acquire, and rehabilitate affordable housing in the City. Over the last six years, the City has produced or preserved approximately 8,200 units of affordable housing. An additional 2,800 units of affordable housing are expected to be created, preserved, or renovated by an additional \$600 million affordable housing bond approved by the voters in November 2019.

These various programs serve a variety of services for more vulnerable residents, including seniors, former homeless individuals and families, and veterans, and middle-income teachers, other public educators, and first-time homebuyers. The affordable housing pipeline includes projects for new housing construction, supportive housing construction and acquisition, rehabilitation of public housing units, and down payment assistance.

Streets and Transit Improvements

San Francisco is the cultural and economic center of the nine-county Bay Area, but population and job growth in the City and throughout the region present ongoing economic and social challenges. The City is making sizable investments to mitigate some of these pressures by upgrading its aging transit and road infrastructure to improve public transit service and enhance mobility for residents, businesses, and visitors.

In recent years, the City has increased its investments to modernize its aging transportation infrastructure. A \$500 million general obligation bond, approved by voters in November 2014, is funding an array of projects that will improve transit reliability, enhance bicycle and pedestrian safety, and address deferred maintenance needs. Approximately \$100 million of these funds are allocated for major infrastructure improvements along Market Street, the City's most prominent downtown corridor and the spine of the City's transportation network.

The City is in the final stages of constructing the Central Subway. When completed, the \$1.6 billion rail project will extend subway service in the City for this first time in decades, better connecting Chinatown, the Financial District and the City's convention center with the existing above ground light rail line along Third Street. Other significant transit improvement projects in planning or construction phases include the installation of a new rapid bus line along Van Ness Avenue and enhancements to other rail and bus rapid transit routes serving other areas of the City.

Road conditions in the City have significantly improved given new investments in street repaving other roadway improvements, which have been primarily from a voter-approved bonds, larger General Fund cash investments, and new revenues provided under the California Road Repair and Accountability Act of 2017. These investments not only benefit transit riders and motorists, but are also intended to make City streets safer for pedestrians, bicyclists, children and people with disabilities. These safety improvements have been concentrated on the 12 percent of City streets where over 70 percent of severe traffic injuries and fatalities occur. Pavement condition scores in the City reached their highest level in over two decades during 2018.

The City's transit vehicle fleet – among the oldest in the country when replacement plans commenced in 2017 – is now the newest and greenest. These vehicles carry 26 percent of all daily trips in the City yet generates less than one percent of the City's transportation sector greenhouse gas emissions.

Investments in the City's Aging Infrastructure

Fueled by the financial benefits of this economic cycle and guided by the City's adopted ten-year capital plan, San Francisco has completed and is underway with a host of other investments in long-deferred public infrastructure, beyond those highlighted above. San Francisco's general obligation bonds program enables the financing of major infrastructure investments and enhancements with long useful lives and high upfront costs that the City would not be able to deliver with other means. Under the City's current policy, voter approval of new bonds is only sought as old bonds are retired and the property tax base grows, resulting in tax rates for City-issued bonds that are at or below the rates for fiscal year 2005-06.

Nearly \$4 billion in general obligation bonds have been approved by voters since 2008, more than the previous fifty years combined. The City has completed or is underway with an array of projects supported by these bonds, including improvements to City fire and police stations, health care clinics, hospitals, parks and neighborhood centers, the strengthening of the City's seawall, and other long-deferred infrastructure modernization projects.

Reliability of City-provided water, sewer, and power services – particularly after an earthquake or disaster – remains a key priority for the City, and generational programs for each of these utility systems are underway. The City is nearly complete with a \$4.8 billion capital program to upgrade local and regional water systems that serve 2.7 million customers in San Francisco and other Bay Area counties. A \$7.0 billion capital program to upgrade the local sewer system is underway, including improvements to a broad network of local collection systems, treatment facilities, and stormwater management efforts. Improvements continue to the City's power infrastructure, focused on targeted rehabilitations of dams, powerhouses, electrical lines, and related electrical infrastructure used to provide power for municipal buildings and transit service. The City's community choice aggregation program, CleanPowerSF, now provides power to over 378,000 residential households and commercial customers in the City.

Expanding Access to Healthcare

Public health and human services are important to the long-term health and well-being of City residents. 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. The San Francisco Health Network, operated by the Department of Public Health, 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.

Cumulatively, over 164,000 San Franciscans have enrolled in new health insurance options since the launch of the Affordable Care Act (ACA) in 2014, through either the program's Medi-Cal expansion or through the Covered California exchange. Approximately 3.5% of San Franciscans now lack medical insurance, compared to uninsured rates of 7.2% in California and 8.9% nationwide. The City, through its health and social services safety net, remains the chief provider of safety net services for these individuals.

Financial Highlights

The strength of the City's economy during the past decade, combined with financial management reforms highlighted above, have driven improvement in the City's overall financial condition. The City's General Fund financial condition has continued to post significant improvements 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 2018-19 at \$2.72 billion, up \$0.50 billion from the prior year. The General Fund's cash position also reflects a strong improvement in fiscal year 2018-19, rising to a new year-end peak of \$3.28 billion, up \$0.56 billion from the prior year. The General Fund rainy day and budget stabilization reserves grew to \$721.7 million at the end of fiscal year

2018-19, and for the first time have reached targeted levels of 10 percent of revenues. Moody's and Standard & Poor's rating agencies have upgraded the City's general obligation ratings to their respective highest rating tier during the past two years, for the first time in nearly 40 years.

But notwithstanding this City's strong economic and financial performance, several long-term financial challenges and risks remain unresolved. The most recent actuarial analyses estimate the City's net liabilities of \$8.07 billion for retiree pension and health care benefits, comprised of \$4.46 billion for employee pension benefits and \$3.61 billion for retiree health benefits. These liabilities have decreased by 12.6% and 3.1%, respectively, compared to the last year. And while economic stabilization reserves have grown significantly during the last five fiscal years, the City estimates that balances in these reserves will cover only half of tax revenues losses and cost increases of approximately \$1.1 billion that will occur in an average recession. Further policy choices will be required to manage these future challenges.

OTHER INFORMATION:**San Francisco's Budgetary Process**

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

The City has historically adopted annual budgets for all governmental funds and typically adopts project-length budgets for capital projects and certain debt service funds. The voters adopted amendments to the Charter in November 2009 designed to further strengthen the City's long-range financial planning. As a result of these changes, the City is required to adopt a "rolling" two-year budget each year unless the Board of Supervisors authorizes a "fixed" two-year budget appropriation for a given fund, in which case authorization occurs every two years. For the fiscal year period of 2019-20 and 2020- 21, there were five departments on a two-year fixed budget, while the majority of the City's budget remains on a rolling cycle.

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

Internal and Budgetary Controls

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City maintains budgetary controls to ensure that legal provisions of the annual budget are in compliance and expenditures do not exceed budgeted amounts. Controls are exercised by integrating the budgetary accounts in fund ledgers for all budgeted funds. An encumbrance system is also used to account for purchase orders and other contractual commitments. Encumbered balances of appropriations at year-end are carried forward and are not reappropriated in the following year's budget.

Independent Audit

The City's Charter requires an annual audit of the Controller's records. These records, represented in the basic financial statements included in the CAFR have been audited by the nationally recognized certified public accounting firm, Macias Gini & O'Connell LLP. The various enterprise funds, the Health Service System, the Employees' Retirement System, the Retiree Health Care Trust, the San Francisco County Transportation Authority, the San Francisco Finance Corporation, and the Successor Agency to the San Francisco Redevelopment Agency have been separately audited. The Independent Auditor's Report on our current year's financial statements is presented in the Financial Section.

Award for Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018. This was the 37th consecutive year, beginning with the year ended June 30, 1982, that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

I would like to express my appreciation to the entire staff of the Controller's Office and the broader group of City financial staff whose professionalism, dedication, and efficiency are responsible for the preparation of this report. I would also like to thank Macias Gini & O'Connell LLP for their invaluable professional support in the preparation of the CAFR. Finally, I want to thank the Mayor and the Board of Supervisors for their leadership in planning and conducting the City's financial operations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'B. Rosenfield', with a long horizontal flourish extending to the right.

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

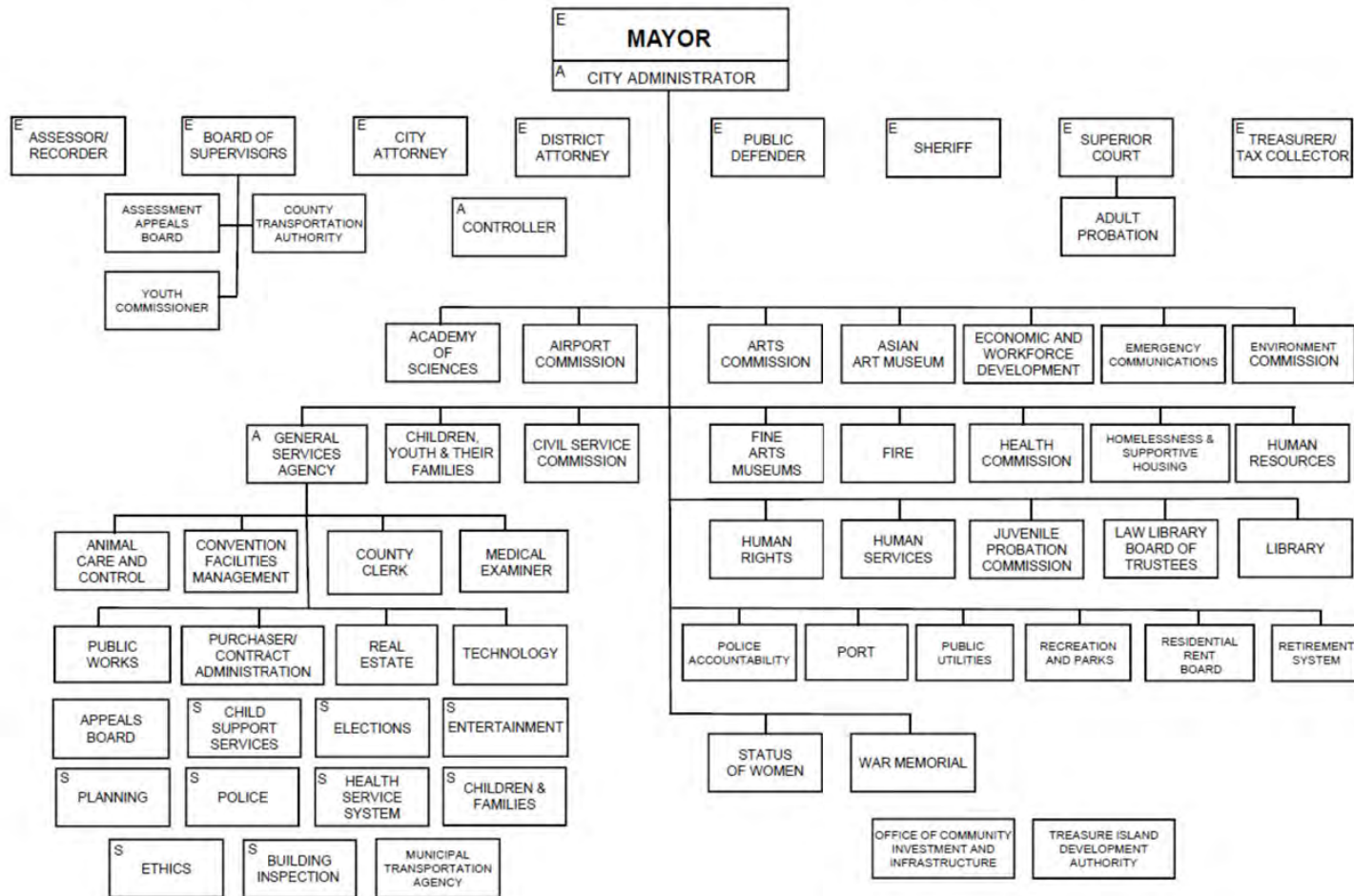
June 30, 2018

Christopher P. Morill

Executive Director/CEO

City and County of San Francisco Organization Chart

(As of June 30, 2019)



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, 2019

ELECTED OFFICIALS

Mayor	London Breed
Board of Supervisors:	
President	Norman Yee
Supervisor.....	Vallie Brown
Supervisor.....	Gordon Mar
Supervisor.....	Rafael Mandelman
Supervisor.....	Aaron Peskin
Supervisor.....	Sandra Lee Fewer
Supervisor.....	Catherine Stefani
Supervisor.....	Hillary Ronen
Supervisor.....	Ahsha Safai
Supervisor.....	Shamann Walton
Supervisor.....	Matt Haney
Assessor/Recorder.....	Carmen Chu
City Attorney.....	Dennis J. Herrera
District Attorney.....	George Gascón
Public Defender.....	Mano Raju
Sheriff.....	Vicki Hennessy
Superior Courts	
Presiding Judge	Judge Garrett L. Wong
Treasurer/Tax Collector	José Cisneros

APPOINTED OFFICIALS

City Administrator	Naomi Kelly
Controller.....	Benjamin Rosenfield

DEPARTMENT DIRECTORS/ADMINISTRATORS

Airport.....	Ivar C. Satero
Appeals Board.....	Julie Rosenberg
Arts Commission	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	Scott D. Sampson
Child Support Services.....	Karen M. Roye
Children, Youth and Their Families.....	Maria Su
Civil Service.....	Michael L. Brown
Economic and Workforce Development.....	Joaquín Torres
Elections.....	John Arntz
Emergency Management	Mary Ellen Carroll
Entertainment.....	Maggie Weiland
Environment	Deborah Raphael
Ethics.....	LeeAnn Pelham
Fine Arts Museums	Thomas P. Campbell
Fire	Jeanine Nicholson

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials

As of June 30, 2019

DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

General Services Agency	
Animal Care and Control	Virginia Donohue
Convention Facilities Management	John Noguchi
County Clerk	Diane Rea
Medical Examiner	Michael Hunter
Public Works	Mohammed Nuru
Purchaser/Contract Administration	Alaric Degrafinried
Real Estate	Andrico Penick
Department of Technology	Linda Gerull
Health Service System	Abbie Yant
Homelessness and Supportive Housing	Jeff Kositsky
Human Resources	Micki Callahan
Human Rights	Sheryl Evans Davis
Human Services	Trent Rhorer
Aging and Adult Services	Shireen McSpadden
Juvenile Probation	Allen A. Nance
Law Library Board of Trustees	Marcia Bell
Library	Michael Lambert
Municipal Transportation Agency	Ed Reiskin
Planning	John Rahaim
Police	William Scott
Police Accountability	Paul Henderson
Port	Elaine Forbes
Public Health	Grant Colfax
Public Utilities	Harlan Kelly
Recreation and Park	Phil Ginsburg
Residential Rent Board	Robert Collins
Retirement System	Jay Huish
Small Business	Regina Dick-Endrizzi
Status of Women	Emily M. Murase
Successor Agency to the Redevelopment Agency	Nadia Sesay
Superior Court	T. Michael Yuen
Adult Probation	Karen L. Fletcher
War Memorial	John Caldon

DISCRETELY PRESENTED COMPONENT UNIT

Treasure Island Development Authority	Robert P. Beck
---	----------------



FINANCIAL SECTION

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information



This page has been intentionally left blank.

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco, California (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Francisco County Transportation Authority, San Francisco International Airport (major fund), San Francisco Water Enterprise (major fund), Hetch Hetchy Water and Power (major fund), Municipal Transportation Agency (major fund), 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	1.3%	5.3%	1.8%
Business-type activities	92.9%	99.0%	75.3%
Aggregate discretely presented component unit and remaining fund information	1.0%	0.7%	9.1%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Prior-Year Comparative Information***

The financial statements include partial and summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2018, from which such partial and summarized information was derived.

We have previously audited the City's 2018 financial statements, before the restatement described in Note 2(t) to the financial statements, and we expressed, based on our audit and the reports of other auditors, unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information in our report dated March 25, 2019. As discussed in Note 2(t) to the financial statements, the 2018 financial statements have been restated based on the report of other auditors to correct a misstatement. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the City's proportionate share of the net pension liability, the schedules of changes in net pension liability and related ratios, the schedules of changes in total pension liability and related ratios, the schedules of employer contributions – pension plans, the schedules of changes in net other postemployment healthcare benefits liability and related ratios, the schedules of employer contributions – other postemployment healthcare benefits plans, and the budgetary comparison schedule – General Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



San Francisco, California
December 30, 2019

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2019

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, 2019. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2017-18 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2018-19 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 \$9.60 billion (net position). Of this balance, \$10.04 billion represents the City's net investment in capital assets, \$3.03 billion represents restricted net position, and unrestricted net position has a deficit of \$3.47 billion. The City's total net position increased by \$1.92 billion, or 25.0 percent, from the previous fiscal year. Of this amount, total net investment in capital assets and restricted net position increased by \$891.2 million or 9.7 percent and \$534.6 million or 21.4 percent, respectively, and unrestricted net position increased by \$497.4 million or 12.5 percent.

The City's governmental funds reported total revenues of \$7.56 billion, which is a \$1.15 billion or 17.9 percent increase over the prior year. Within this, revenues from property taxes, business taxes, sales and use tax, hotel room tax, real property transfer tax, interest and investment income, rent and concessions, intergovernmental sources, charges for services, other revenues grew by approximately \$593.9 million, \$20.4 million, \$33.1 million, \$26.2 million, \$83.6 million, \$131.9 million, \$50.1 million, \$107.5 million, \$22.0 million and \$60.0 million, respectively. Governmental funds expenditures totaled \$6.27 billion for this period, a \$421.1 million or 7.2 percent increase, reflecting increases in demand for governmental services of \$465.7 million, offset by decreases in debt service of \$30.8 million and in capital outlay of \$13.8 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to \$5.14 billion, an increase of \$563.3 million or 12.3 percent from prior year, primarily 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 short-term debt increased by \$123.0 million in this fiscal year. The decrease of \$29.1 million in the governmental activities was due to the paydown of \$4.1 million and \$25.0 million of Commercial Paper (CP) which financed the Animal Care and Control facility project and the construction of Transbay Transit Center, respectively. The short-term debt in the business-type activities increased by \$152.1 million. The Water Enterprise, Hetch Hetchy Water and Power, and the Wastewater Enterprise, increased the short-term debt by a total of \$180.1 million to upgrade their facilities. The San Francisco General Hospital paid off \$2.2 million of CP and Airport refinanced \$25.8 million of CP through the issuance of long-term debt.

The City's governmental activities long-term bonds, loans, and capital leases decreased by \$314.8 million. General obligation bonds of \$24.0 million, issued for seismic safety loan program was paid off by the developer/borrower. The San Francisco Finance Corporation's refunding of the three series of lease revenue bonds for open space and branch library improvements reduced the City's long-term debt by \$18.4 million, and the City paid off the SFCTA's revolving loan of \$24.7 million. The scheduled principal payments and amortization of issuance premium totaling \$320.1 million was partially offset by the issuance of \$72.4 million general obligation bonds to fund loans to finance the cost of acquisition, improvements and rehabilitation of at-risk multi-unit residential housing and convert such structures to affordable housing.

The business-type activities long-term debt increased by \$1.80 billion. The Airport issued a total of \$1.98 billion revenue bonds, comprised of \$1.57 billion revenue bonds to finance and refinance its various development projects and \$410.9 million revenue refunding bonds for economic gain. The Wastewater Enterprise issued \$594.1 million revenue bonds to finance and refinance the City's wastewater system improvement projects and obtained loans of \$66.9 million from the State of California for sewer system improvement projects. The Municipal Transportation Agency obtained a bank loan of \$3.3 million for a garage renovation project. The Port of San Francisco has assumed the \$6.1 million loan from the State of

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

California Department of Boating and Waterways related to its assumed operation of the South Beach Harbor. The increase in debt was partially offset by the \$921.9 million of debt service payments and bond premium amortization.

In accordance with California Redevelopment Dissolution Law, the Successor Agency transferred South Beach Harbor to the City's Port at no cost in April 2019. The transfer consisted of Harbor capital assets of \$20.0 million, a debt payable to the California Division of Boating and Waterways of \$6.1 million, cash of \$5.1 million, and miscellaneous assets and liabilities with a net liability of \$0.7 million. The City's Port Enterprise Fund recorded a special item of \$18.3 million for the transfer.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

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

CAFR	Introductory Section	INTRODUCTORY SECTION			
		+			
	Financial Section	Management's Discussion and Analysis (MD&A)			
		Government - wide Financial Statements	Fund Financial Statements		
		Statement of net position	Governmental Funds	Proprietary Funds	Fiduciary Funds
			Balance sheet	Statement of net position	Statement of fiduciary net position
		Statement of activities		Statement of revenues, expenses, and changes in fund net position	
			Statement of revenues, expenditures, and changes in fund balances	Statement of cash flows	Statement of changes in fiduciary net position
		Notes to the Financial Statements			
		Required Supplementary Information Other Than MD&A			
		Information on individual nonmajor funds and other supplementary information that is not required			
		+			
Statistical Section	STATISTICAL SECTION				

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

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.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

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.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), San Francisco Water Enterprise (Water), Hetch Hetchy Water and Power (Hetch Hetchy), San Francisco Municipal Transportation Agency (SFMTA), San Francisco General Hospital (SFGH), San Francisco Wastewater Enterprise (Wastewater), Port of San Francisco (Port), and the Laguna Honda Hospital (LHH), all of which are considered to be major funds of the City.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, management information and telecommunication services, printing and mail services, and for lease-purchases of equipment by the San Francisco Finance Corporation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City employees' pension and health plans, retirees' health care, the Successor Agency, the external portion of the Treasurer's Office investment pool, and the agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's net pension liability, pension contributions, net OPEB liability, and OPEB contributions.

The City adopts a rolling two-year budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2019

Combining Statements and Schedules

The combining statements and schedules referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information.

Condensed Statement of Net Position
(in thousands)

	Governmental activities		Business-type activities*		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$7,301,821	\$6,664,033	\$ 6,575,434	\$ 6,174,594	\$ 13,877,255	\$ 12,838,627
Capital assets	6,155,064	5,803,025	20,689,646	18,470,576	26,844,710	24,273,601
Total assets	<u>13,456,885</u>	<u>12,467,058</u>	<u>27,265,080</u>	<u>24,645,170</u>	<u>40,721,965</u>	<u>37,112,228</u>
Deferred outflows of resources:	<u>996,754</u>	<u>1,015,311</u>	<u>947,283</u>	<u>973,033</u>	<u>1,944,037</u>	<u>1,988,344</u>
Liabilities:						
Current liabilities	2,179,762	2,041,116	2,148,534	2,201,736	4,328,296	4,242,852
Noncurrent liabilities	8,742,967	9,326,001	18,872,584	17,470,491	27,615,551	26,796,492
Total liabilities	<u>10,922,729</u>	<u>11,367,117</u>	<u>21,021,118</u>	<u>19,672,227</u>	<u>31,943,847</u>	<u>31,039,344</u>
Deferred inflows of resources:	<u>629,419</u>	<u>223,275</u>	<u>490,524</u>	<u>158,974</u>	<u>1,119,943</u>	<u>382,249</u>
Net position:						
Net investment in capital assets **	3,681,341	3,311,218	6,764,333	6,176,022	10,048,870	9,157,665
Restricted **	2,024,387	1,531,481	1,053,773	1,103,693	3,027,217	2,492,619
Unrestricted (deficit) **	<u>(2,804,237)</u>	<u>(2,950,722)</u>	<u>(1,117,385)</u>	<u>(1,492,713)</u>	<u>(3,473,875)</u>	<u>(3,971,305)</u>
Total net position	<u>\$2,901,491</u>	<u>\$1,891,977</u>	<u>\$ 6,700,721</u>	<u>\$ 5,787,002</u>	<u>\$ 9,602,212</u>	<u>\$ 7,678,979</u>

* See Note 2(t) to the basic financial statements.

** 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 \$9.60 billion at the end of fiscal year 2018-19, a 25.0 percent increase over the prior year. The City's governmental activities account for \$2.90 billion of this total and \$6.70 billion stem from its business-type activities.

The largest portion of the City's net position is the \$10.04 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a \$891.2 million or 9.7 percent increase over the prior year and is due to the growth seen in the governmental activities and an overall increase in business-type activities, highlighted by a \$601.8 million increase at SFMTA offset by decreases of \$81.3 million and \$39.0 million at Airport and Wastewater Enterprise, respectively. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position is the \$3.03 billion that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is a deficit of \$3.47 billion, which consists of a \$2.80 billion deficit in governmental activities and \$1.12 billion deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to recording liabilities related to net pension and net other postemployment benefits (see Note 9). The governmental activities deficit also included \$447.7 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

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2019

supply for the Water Enterprise, and road paving and street safety in SFMTA (see Note 10(d)). The business-type activities deficit also includes structural operating losses from SFGH and LHH subsidized by the General Fund.

Condensed Statement of Activities
(in thousands)

	Governmental activities		Business-type activities*		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services.....	\$ 815,176	\$ 685,437	\$ 3,840,617	\$ 3,686,189	\$ 4,655,793	\$ 4,371,626
Operating grants and contributions.....	1,392,516	1,279,900	251,757	217,506	1,644,273	1,497,406
Capital grants and contributions.....	233,184	63,181	467,069	456,166	700,253	519,347
General revenues:						
Property taxes.....	2,581,308	2,363,863	-	-	2,581,308	2,363,863
Business taxes.....	919,552	899,142	-	-	919,552	899,142
Sales and use tax.....	329,296	293,916	-	-	329,296	293,916
Hotel room tax.....	408,348	382,176	-	-	408,348	382,176
Utility users tax.....	93,918	94,460	-	-	93,918	94,460
Other local taxes.....	515,435	424,187	-	-	515,435	424,187
Interest and investment income.....	178,350	46,020	182,666	39,010	361,016	85,030
Other.....	88,788	71,834	237,045	246,827	325,833	318,661
Total revenues.....	<u>7,555,871</u>	<u>6,604,116</u>	<u>4,979,154</u>	<u>4,645,698</u>	<u>12,535,025</u>	<u>11,249,814</u>
Expenses						
Public protection.....	1,496,341	1,496,749	-	-	1,496,341	1,496,749
Public works, transportation and commerce.....	331,717	321,577	-	-	331,717	321,577
Human welfare and neighborhood development.....	1,720,425	1,552,060	-	-	1,720,425	1,552,060
Community health.....	960,422	914,512	-	-	960,422	914,512
Culture and recreation.....	594,219	425,668	-	-	594,219	425,668
General administration and finance.....	330,358	430,711	-	-	330,358	430,711
General City responsibilities.....	156,907	118,956	-	-	156,907	118,956
Unallocated interest on long-term debt.....	153,220	138,048	-	-	153,220	138,048
Airport.....	-	-	1,067,265	1,092,154	1,067,265	1,092,154
Transportation.....	-	-	1,304,358	1,304,254	1,304,358	1,304,254
Port.....	-	-	123,116	102,667	123,116	102,667
Water.....	-	-	536,480	536,068	536,480	536,068
Power.....	-	-	314,471	202,366	314,471	202,366
Hospitals.....	-	-	1,236,823	1,294,045	1,236,823	1,294,045
Sewer.....	-	-	304,010	264,298	304,010	264,298
Total expenses.....	<u>5,743,609</u>	<u>5,398,281</u>	<u>4,886,523</u>	<u>4,795,852</u>	<u>10,630,132</u>	<u>10,194,133</u>
Increase/(decrease) in net position before transfers and special items.....	1,812,262	1,205,835	92,631	(150,154)	1,904,893	1,055,681
Transfers.....	(802,748)	(753,283)	802,748	753,283	-	-
Special items:						
Receipt of Yerba Buena Garden property.....	-	116,690	-	-	-	116,690
Receipt of South Beach Harbor operations.....	-	-	18,340	-	18,340	-
Change in net position.....	<u>1,009,514</u>	<u>569,242</u>	<u>913,719</u>	<u>603,129</u>	<u>1,923,233</u>	<u>1,172,371</u>
Net position at beginning of year, as restated.....	<u>1,891,977</u>	<u>1,322,735</u>	<u>5,787,002</u>	<u>5,183,873</u>	<u>7,678,979</u>	<u>6,506,608</u>
Net position at end of year.....	<u>\$ 2,901,491</u>	<u>\$ 1,891,977</u>	<u>\$ 6,700,721</u>	<u>\$ 5,787,002</u>	<u>\$ 9,602,212</u>	<u>\$ 7,678,979</u>

* See Note 2(f) to the basic financial statements.

Analysis of Changes in Net Position

The City's change in net position increased by \$750.9 million in fiscal year 2018-19, a 64.0 percent increase from the prior fiscal year, as noted above. The increase in the change in net position was due to a \$440.3 million increase from governmental activities and a \$310.6 million increase from business-type activities.

The City's governmental activities experienced a \$951.8 million or 14.4 percent growth in total revenues, as well as an increase in total expenses of \$345.3 million or 6.4 percent this fiscal year. Business-type activities revenues increased by \$333.5 million or 7.2 percent, as well as an increase in total expenses of \$90.7 million, or 1.9 percent. The net transfer to business-type activities increased by \$49.5 million. The major

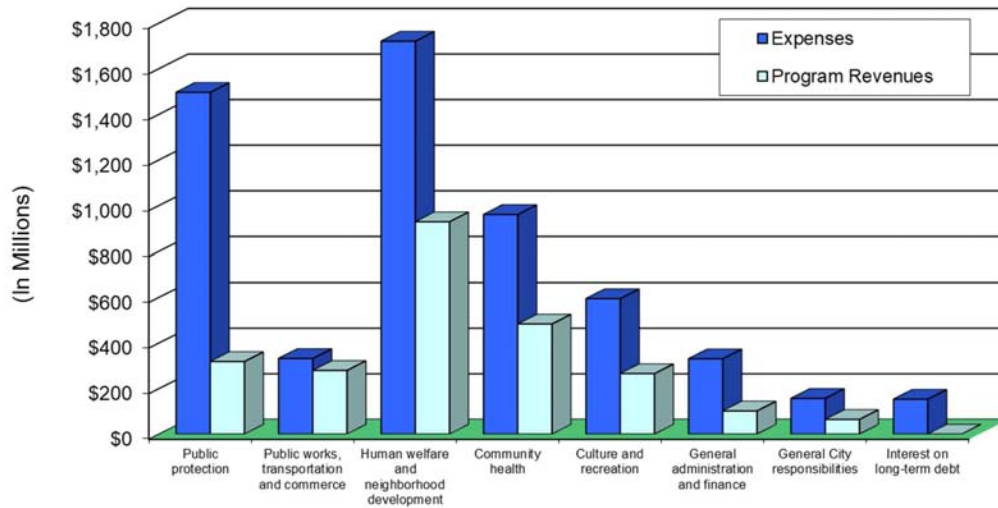
CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

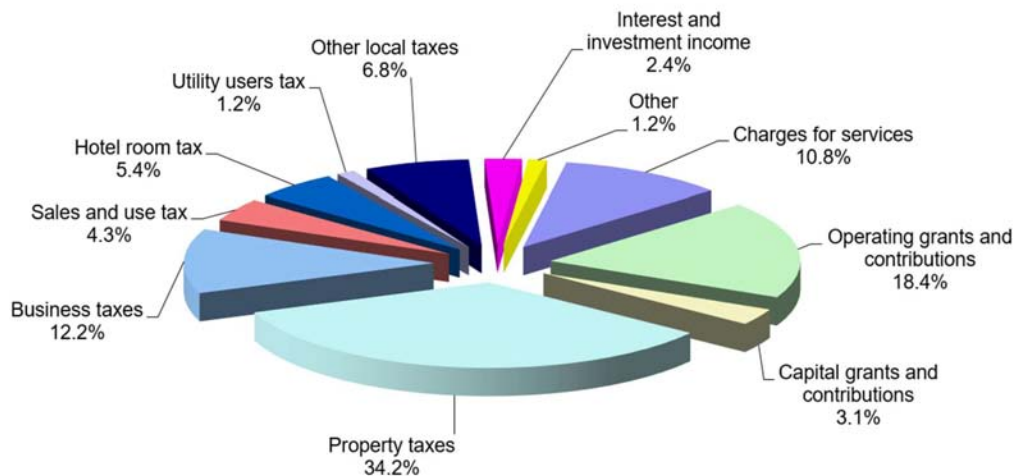
Year Ended June 30, 2019

components of increased revenue Citywide are increased interest and investment income of \$276.0 million and property taxes of \$217.4 million. Discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2019

Governmental Activities. Governmental activities increased the City's total net position by approximately \$1.01 billion. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were \$7.56 billion, a \$951.8 million or 14.4 percent increase over the prior year. For the same period, expense totaled \$5.74 billion before transfers of \$802.7 million.

Property tax revenues increased by \$217.4 million or 9.2 percent. This growth was due in large part to the increased recognition of \$130.8 million Excess Educational Revenue Augmentation Fund (ERAF) in the current fiscal year. Increases in the secured and unsecured property tax revenues, offset by decreases in supplemental and escape property tax revenues, were responsible for majority of the remaining change. An increase of \$20.4 million or 2.3 percent in business tax was driven by relatively modest growth in business tax payments over the prior year.

Revenues from sales and use tax and hotel room taxes totaled approximately \$737.6 million, a growth of \$61.6 million over the prior year. Sales and use tax increased by \$35.4 million or 12.0 percent primarily due to the implementation of a new system by the California Department of Tax and Fee Administration which caused delays in processing certain filer's sales tax remittances in FY 2017-18. These missing payments were disbursed throughout FY 2018-19 to the City. As a result, an above-average growth has been observed. Hotel room tax increased by approximately \$26.2 million or 6.8 percent, due to an increase in revenue per available room (RevPAR) which is a function of changes in occupancy, average daily room rate and room supply. In fiscal year 2018-19, monthly RevPAR not weighted for seasonality increased 6.8 percent despite the annual average Occupancy Rate decreased by 1.2 percent primarily due to the increase in room supply.

Other local taxes increased by \$91.2 million or 21.5 percent, mainly related to an increase in real property transfer tax. This revenue is one of the most volatile of all sources and is highly sensitive to economic cycles and interest rates. Transfer taxes are assessed at different levels according to the amount of the transaction. Most of the volatility in this tax is driven by transactions for those valued at \$10 million or more. There were more transactions in this group which totaled \$256.3 million or 70.4 percent of total revenue during fiscal year 2018-19.

Total grants and contributions increased \$282.6 million or 21.0 percent. The increase was primarily due to a capital contribution of \$119.9 million of the completed improvement and expansion work on the Moscone Convention Center North and South buildings by the Moscone Expansion District. The expansion project together with City's funding added 305,000 square feet functional area and 42 streetscape improvements to the surrounding neighborhood. There was also a \$29.0 million capital contribution from a community facilities district and land donation of \$28.8 million. In addition, there was a total of \$112.6 million increases in operating grants and contributions for human welfare and neighborhood development and community health programs from State and Federal, mainly for welfare, health and integrated care, housing and supportive services.

Total charges for services increased \$129.7 million or 18.9 percent largely from rents and concessions by \$50.1 million, loan programs repayments by \$20.1 million on loans previously considered uncollectible, fines and forfeitures by \$16.2 million, and the remaining from various City services and charges.

Interest and investment income revenue increased by \$132.3 million or 2.9 times, primarily due to increased interest rates as well as balances in the City's investment pool mainly from increased collections in property tax revenues, business tax and other revenues.

Net transfers from the governmental activities to business-type activities were \$802.7 million, a \$49.5 million or 6.6 percent increase from the prior year. General Fund baseline transfer to SFMTA increased \$75.2 million primarily due to increase in property taxes, including ERAF revenue. General Fund transfer to Laguna Honda Hospital also increased by \$54.6 million to repay the State for SB 1128 reimbursements from prior years that were subsequently disallowed and by \$22.9 million to fund general operations. This was partly offset by decrease in transfer to SFMTA by \$77.6 million from other governmental funds for

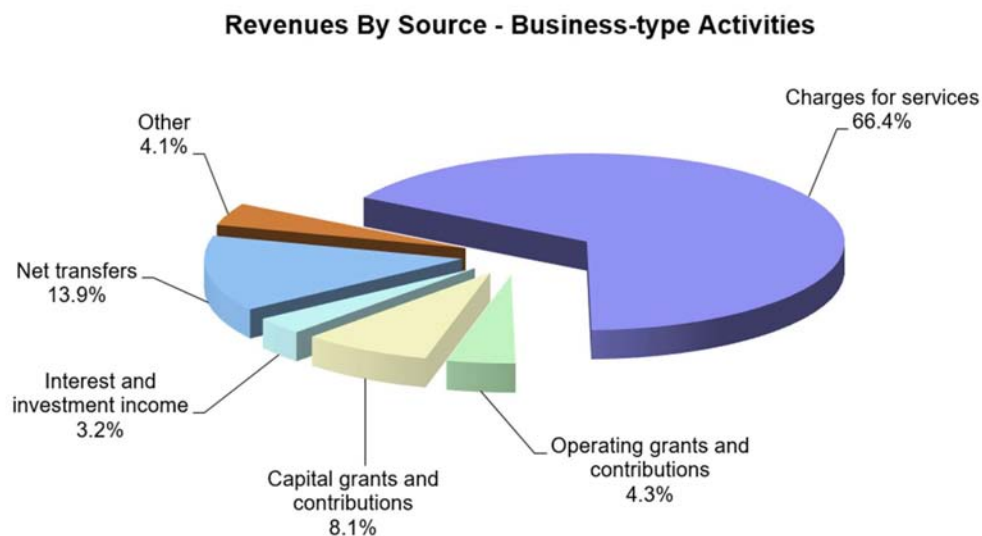
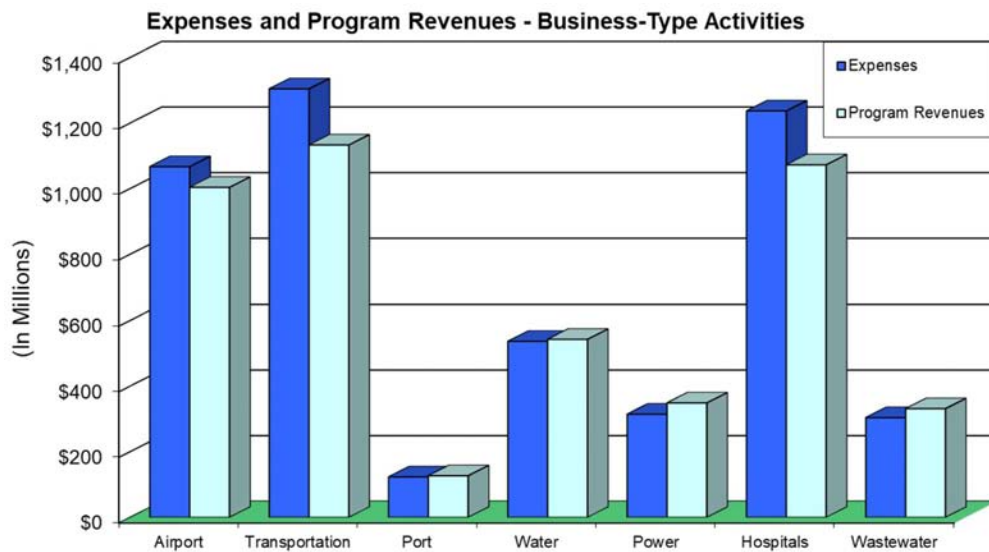
CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

reduced capital projects expenditures and a decrease of \$23.0 million transfer from the Wastewater Enterprise for the Central Shop Relocation project.

The increase of total governmental expenses of \$345.3 million, or 6.4 percent, was primarily due to a general increase in salaries and fringe benefits for \$179.3 million, growth in City grant and aid payments and non-professional services by \$128.2 million related to community health and human welfare programs. Nonpersonnel expenses including professional and consulting services, judgment and claims and withdrawal of Rainy Day Reserve by San Francisco Unified School District totaled to a \$97.9 million increase. In addition, culture and recreation activity has a net \$168.6 million increase largely due to spending on various capital and improvement projects. These increases were partly offset by a decrease of \$166.2 million in pension and OPEB expenses, net of deferred contributions, primarily due to assumption changes, actuarial experience gains and increased contributions.



CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

Business-type activities increased the City's net position by \$913.7 million and key factors contributing to this increase are as follows:

- The San Francisco International Airport had an increase in net position at fiscal year-end of \$91.8 million, compared to a \$65.2 million increase in the prior year, a \$26.6 million difference. Operating revenues totaled \$980.4 million for fiscal year 2018-19, a decrease of \$83.4 million or 7.8 percent over the prior year and included a decrease of \$104.7 million in aviation primarily because fiscal year 2017-18 aviation revenues included an aviation revenue receivable that did not recur in fiscal year 2018-19, and there was an increase in PFC expenditures on debt service and non-aviation revenue in fiscal year 2018-19 that together reduced the aviation revenue requirement relative to fiscal year 2017-18, offset by increases of \$3.3 million in rents and concessions, \$13.8 million in parking and transportation, and \$4.2 million in net sales and services, reflecting traffic growth at the Airport. For the same period, the Airport's operating expenses decreased by \$6.2 million, or 0.8 percent, for a net operating income of \$216.4 million for the period. Net nonoperating activities saw a deficit of \$99.1 million versus \$196.9 million deficit in the prior year, a \$97.8 million decrease. The decrease of \$6.2 million in operating expenses is due to decreases in personal services of \$22.8 million due to a prior year significant pension expense increase related to supplemental cost of living adjustments in fiscal year 2016-17, and additional positions that did not recur in fiscal year 2018-19 and materials and supplies of \$2.7 million, offset by increases in contractual services of \$5.4 million, light, heat and power of \$1.1 million, depreciation and amortization of \$3.6 million, general and administrative of \$0.3 million, services provided by other departments of \$6.2 million, and other operating expenses of \$2.7 million. The decrease of \$97.8 million in nonoperating expenses is due to decreases in other nonoperating revenues of \$1.5 million, and other nonoperating expenses of \$36.2 million, offset by increases in interest and investment income of \$80.6 million primarily due to the net effect of \$51.0 million of investment fair value adjustments and an actual investment income increase of \$29.6 million, and interest expense of \$17.5 million. Capital contributions increased by \$8.6 million due to an increase in federal grants received for the Airport Improvement Program and TSA Checked Baggage Recapitalization Construction Project.
- The City's Water Enterprise, the third largest such entity in California, reported an increase in net position of \$52.6 million at the end of fiscal year 2018-19, compared to an increase of \$17.6 million at the end of the previous year, a \$35.0 million difference. Operating revenues totaled \$542.4 million, operating expenses totaled \$357.1 million, nonoperating activities totaled a net expense of \$113.5 million and the net decrease from transfers was \$19.1 million. Compared to the prior year, operating revenues increased \$16.8 million, which included \$14.6 million in charges for services. The enterprise reported a total decrease in operating expenses of \$13.1 million in fiscal year 2018-19 mostly due to a \$16.7 million decrease in personal services mainly due to pension and OPEB obligations, nonoperating expenses increased by \$14.0 million in interest expense mainly due prior year's bond issuance and reduced interest capitalization for capital projects.
- Hetch Hetchy Water and Power and CleanPowerSF ended fiscal year 2018-19 with a net position increase of \$79.6 million, compared to a \$33.4 million increase the prior year, a difference of \$46.2 million. This change consisted of an increase in operating income of \$40.8 million, an increase in net nonoperating revenues of \$10.5 million, and a decrease in transfers from the City of \$5.1 million. This enterprise consists of three segments: Hetchy Water upcountry operations and water system, which reported a \$9.4 million increase in change in net position, Hetchy Power (also known as the Power Enterprise), which reported a \$39.1 million increase in change in net position, and CleanPowerSF, which reported a \$31.1 million increase in net position. Hetchy Water operating revenues increased by \$0.4 million, mainly due to an increase of \$0.5 million in water assessment fees from the Water Enterprise while operating expenses increased by \$10.5 million mainly due to an increase of \$11.2 million in general and administrative and other expenses. Hetchy Power's operating revenues increased by \$24.7 million mostly due to wholesale electricity of \$11.7 million from recognition of California Independent System operator (CAISO) Congestion Revenue Right (CRR) credits and increased sales of \$7.4 million to other City departments and \$5.4 million to non-City customers. On the operating expenses side, Hetchy Power reported an increase of \$3.3 million mainly attributed to an increase of \$13.0 million in purchased electricity and transmission, distribution and other power costs

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

primarily due to CAISO CRR credits were recognized as revenue instead of offsetting to expenses, \$2.6 million in personal services mainly due to higher salaries and fringe benefits, and \$1.0 million in legal services provided by the City Attorney, offset by a decrease of \$12.9 million in other operating expenses mainly due to increased capitalization of project expenses. CleanPowerSF's operating revenues increased by \$128.3 million mostly due to \$127.1 million increase in charges for services related to consumption increase and \$1.1 million from capacity sales to Hetchy Power and other entities. Operating expenses for CleanPowerSF increased by \$98.9 million mainly due to \$92.5 million increase in purchased electricity and transmission, distribution and other power costs, \$2.6 million increase in professional services related to program development, and \$2.5 million increase in personal services.

- The City's Wastewater Enterprise's net position increased by \$55.0 million, compared to a \$65.2 million increase in the prior year, a \$10.2 million change. Operating revenues increased by \$16.0 million due to a \$14.7 million increase in charges for services as a result of an average 7 percent adopted rate increase, offset by a 2 percent decrease in sanitary flow. Operating expenses increased by \$49.2 million mainly due to \$52.4 million increases in general and administrative caused by lower capitalization of capital project spending coupled with higher capital project expenses related to Southeast Plant Improvement Project, \$4.4 million in depreciation expense due to more capitalized assets put in service, \$3.0 million in contractual services mainly due to higher maintenance services on building structures and higher professional and specialized services, \$0.4 million in materials and supplies, and \$0.3 million in services provided by other departments mainly for light, heat, and power. These increases were offset by a decrease of \$11.3 million in personal services mainly due to decrease in expenses related to pension and OPEB. Transfers out decreased by \$23.0 million mainly due to a decrease of \$26.7 million in transfer to the City Real Estate Division for the Phase 1 construction work for the Central Shops Relocation Project, offset by an increase of \$3.7 million in the same transfer. Wastewater Enterprise results include recorded corrections to previously issued 2017-18 financial statements to eliminate recognition of certain capital assets. Net position as of July 1, 2017 has been reduced by \$6.8 million. Capital assets not being depreciated have been reduced and expenses have been increased by \$28.3 million as of and for the year ended June 30, 2018.
- The Port ended fiscal year 2018-19 with a net position increase of \$28.7 million, compared to a \$16.2 million increase in the previous year, a \$12.5 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 2018-19, operating revenues increased by \$12.3 million, due to \$10.3 million from the sale and transfer of the Ferry Building master lease and \$2.7 million increase in commercial and industrial rent, reflecting strength in local economy, offset by small fluctuations in remaining operating lines of revenue. Operating expenses increased \$15.3 million over the prior year. This was due in part to increases of \$6.8 million in depreciation and amortization and \$9.3 million in pollution remediation related to a reduced obligation resulted a negative expense of \$8.2 million pollution remediation in fiscal year 2017-18, along with a \$1.1 million remediation expense caused by a change in the scope of Pier 70 development.
- The SFMTA had an increase in net position of \$527.6 million for fiscal year 2018-19, compared to an increase of \$559.0 million in the prior year, a \$31.4 million change. SFMTA's total operating revenues were \$505.2 million, while total operating expenses reached \$1.30 billion. Operating revenues decreased by \$6.8 million compared to the prior year and is mainly due to decreases in transit cash fare collections as well as parking and transportation by \$7.4 million mainly due to transfer of financial recording of Union Square garage revenues to the Recreation and Park Department after the Uptown Parking Corporation was dissolved in February 2018. These decreases are offset by increases in charges for services by \$1.7 million primarily due to increase in tow surcharge fees, temporary sign fees, shared electric mopeds parking permits, and other revenues by \$5.1 million. Operating expenses increased by \$4.6 million, primarily due to increases in contractual services by \$15.0 million related to increase in software licensing fees and consultant fees, materials and supplies by \$5.9 million, depreciation and amortization by \$22.2 million with more assets capitalized, services provided by other departments by \$4.5 million mainly from major increase in technology infrastructure and legal services,

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

and other operating expenses by \$5.6 million due to high noncapitalizable expenditures from prior year, offset by reduction in recoverable expenditures. These increases are offset by decreases in personal services by \$31.7 million attributable to reduction of pension and OPEB expenses, and general and administrative by \$16.9 million mainly due to decrease in claim liability per actuarial study. Net nonoperating revenue increased by \$51.2 million, mostly from federal, state and other operating grants, amortized portion of the lease leaseback benefits, gain on disposal of assets, and interest and investment income which were offset by decrease in development fees. Capital contributions increased by \$3.5 million due to an increase in capital expenditures incurred and billable to grantors mostly related to Trolley Vehicles and New Light Rail Vehicles procurement, and other miscellaneous projects. Net transfers in decreased by \$74.6 million due to decrease of \$176.3 million in capital project support from the City's General Obligation Bonds. This decrease was offset by \$75.2 million increase in transfers from the City's General Fund for revenue baseline subsidy, in lieu of parking tax and population-based allocation, and \$21.5 million increase in transfers from other City departments.

- LHH, the City's skilled nursing care hospital, had an increase in net position of \$62.3 million at the end of fiscal year 2018-19, compared to a decrease of \$67.7 million at the end of the previous year, a \$130.0 million difference. The LHH's loss before transfers for the year was \$71.1 million versus a loss of \$118.0 million for the prior year. This change of \$46.9 million was mostly due to a \$10.0 million decrease in operating revenues, a \$55.9 million decrease in operating expenses, and a \$1.0 million increase in net nonoperating revenues. Net transfers increased by approximately \$83.1 million, due to a \$78.6 million increase in transfers in and a \$4.5 million decrease in transfers out.
- SFGH, the City's acute care hospital, ended fiscal year 2018-19 with a net position increase of \$16.0 million, compared to a decrease of \$57.5 million the prior year, a \$73.5 million change. Operating revenues increased \$56.2 million from prior year, mainly due to a \$54.9 million increase in net patient service revenue. Operating expenses decreased approximately \$1.0 million, mainly due to a \$7.9 million decrease in materials and supplies and a \$4.1 million decrease in general and administrative expense, offset by a \$4.9 million increase in contractual services and a \$3.6 million increase in personal services. Net nonoperating revenues increased \$2.9 million, mainly due to an increase in interest and investment income. Net transfers increased by approximately \$13.4 million, due to a \$18.5 million increase in transfers in and a \$5.1 million increase in transfers out.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds statements is to provide information on near-term inflows, outflows, and balances of resources available for future spending. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Fund.

At the end of fiscal year 2018-19, the City governmental funds reported combined fund balances of \$5.14 billion, an increase of \$563.3 million or 12.3 percent over the prior year. Of the total fund balances, \$1.48 billion is assigned and \$631.1 million is unassigned. The total of \$2.11 billion or 41.0 percent of the total fund balances constitutes the fund balances that are accessible to meet the City's needs. Within these fund balance classifications, the General Fund had an assigned fund balance of \$1.36 billion. The remainder of the governmental fund balances includes \$1.4 million nonspendable for items that are not expected to be converted to cash such as advances and long-term loans, \$2.63 billion restricted for programs at various levels and \$397.6 million committed for other reserves.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2019

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 \$1.99 billion while total fund balance reached \$2.72 billion. Combined assigned and unassigned fund balances represent 49.5 percent of total expenditures, while total fund balance represents 67.4 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by \$1.86 billion, before transfers and other items of \$1.36 billion, resulting in total fund balance increasing by \$495.1 million. Overall, the significant growth in revenues, particularly in property taxes, real property transfer taxes, interest and investment income, federal and state grant revenues was partly offset by increased transfers to other funds to meet voter-mandated spending requirements, as well as expenditure growth, particularly in community health, human welfare and neighborhood development and public protection due to growing demand for services. The net result was an increase in fund balance this fiscal year.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the business-type activities section of the government-wide financial statements but with some additional detail.

At the end of fiscal year 2018-19, the unrestricted net position for the proprietary funds was as follows: Airport: \$44.1 million, Hetch Hetchy Water and Power: \$226.7 million, Wastewater Enterprise: \$75.7 million, and the Port: \$82.0 million. In addition, the following funds had net deficits in unrestricted net position: Water Enterprise: \$37.5 million, SFMTA: \$571.6 million, San Francisco General Hospital: \$635.1 million, and Laguna Honda Hospital: \$301.6 million.

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City's proprietary funds (in thousands). This shows that the total net position for these funds increased by approximately \$913.7 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	Special Item	Change In Net Position
Airport.....	\$ 980,443	\$ 764,011	\$ 216,432	\$ (99,126)	\$ 23,611	\$ (49,112)	\$ -	\$ 91,805
Water.....	542,391	357,094	185,297	(113,549)	-	(19,134)	-	52,614
Hetch Hetchy.....	345,386	310,277	35,109	20,014	-	24,490	-	79,613
Municipal Transportation Agency.....	505,159	1,298,715	(793,556)	247,453	441,989	631,763	-	527,649
General Hospital.....	828,865	961,126	(132,261)	63,400	-	84,881	-	16,020
Wastewater Enterprise.....	331,081	259,813	71,268	(12,254)	-	(3,996)	-	55,018
Port.....	122,033	112,108	9,925	(1,488)	1,469	440	18,340	28,686
Laguna Honda Hospital.....	185,259	268,182	(82,923)	11,821	-	133,416	-	62,314
Total.....	<u>\$ 3,840,617</u>	<u>\$ 4,331,326</u>	<u>\$ (490,709)</u>	<u>\$ 116,271</u>	<u>\$ 467,069</u>	<u>\$ 802,748</u>	<u>\$ 18,340</u>	<u>\$ 913,719</u>

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 higher than the final budget by \$374.1 million. The City realized \$136.0 million, \$103.6 million, \$60.1 million, \$38.4 million, \$20.2 million, \$16.8 million and \$16.5 million more revenue than budgeted in real property transfer tax, property taxes, interest and investment income, business taxes, state health and welfare realignment subventions, sales and use tax and hotel room tax, respectively. These increases were partly offset by lower than budgeted revenues of \$25.1 million, \$12.3 million, \$5.2 million, in federal grants and subventions, MediCal, MediCare and health service charges and utility user taxes, respectively.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2019

Differences between the final budget and the actual (budgetary basis) expenditures resulted in \$129.6 million in expenditure savings. Major factors include:

- \$19.7 million savings in Mayor's Housing and Community Development (MOHCD) due primarily to savings from loans issued through the housing trust fund and from loans issued as an interdepartmental service performed by MOHCD on behalf of other City departments. The Human Services Agency has a saving of \$18.6 million due largely to reductions in aid assistance and aid payments from lower than expected caseloads, contracts and services needed by other departments. The Department of Homelessness and Supporting Housing also has a saving of \$10.2 million which consisted of community-based organization services for Transitional-Aged Youth and 1K Person Project which was partly offset by higher-than-budgeted spending on Shelter and Housing for the Homeless Project.
- \$28.1 million savings in general city responsibilities mostly due to unexpended community-based organization grant funds of \$25.4 million and mandatory fringe benefits adjustments and reduced services provided by other departments account for the remaining balance.
- \$21.7 million of savings in City Attorney, Treasurer's Office, City Planning and other departments in general administration and finance are mainly from salary and mandatory fringe savings, nonpersonnel services savings, and recoveries.
- \$11.4 million savings in services needed from other departments and programmatic projects due to delays in implementing development projects by Office of Economic and Workforce Development.
- The remaining lower than budgeted expenditures are savings from departments in community health for \$8.5 million, public protection for \$8.1 million and \$1.7 million in culture and recreation.

The net effect of substantial revenue increases and savings in expenditures was a budgetary fund balance available for subsequent year appropriation of \$812.7 million at the end of fiscal year 2018-19. The City's fiscal year 2019-20 and 2020-21 Adopted Original Budget assumed an available balance of \$495.8 million fully appropriated in fiscal year 2019-20 and fiscal year 2020-21 and contingency reserves of \$308.0 million, leaving \$8.8 million available for future appropriations. Strong revenue also led to reserve deposits that resulted in the City meeting its economic stabilization reserve target of ten percent of General Fund actual total revenues for the first time (see also Note to the Required Supplementary Information for additional budgetary fund balance details).

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2019, increased by \$2.57 billion, 10.6 percent, to \$26.84 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 \$352.0 million or 13.7 percent to this total while \$2.22 billion or 86.3 percent was from business-type activities. Details are shown in the table below.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land.....	\$ 519,234	\$ 484,474	\$ 257,803	\$ 269,158	\$ 777,037	\$ 753,632
Construction in progress.....	684,859	849,925	5,851,307	5,449,248 *	6,536,166	6,299,173
Facilities and improvements...	3,850,118	3,407,411	11,916,790	10,528,058	15,766,908	13,935,469
Machinery and equipment.....	182,081	187,041	1,755,125	1,344,019	1,937,206	1,531,060
Infrastructure.....	823,330	775,405	856,139	830,084	1,679,469	1,605,489
Intangible assets.....	95,442	98,769	52,482	50,009	147,924	148,778
Total.....	\$ 6,155,064	\$ 5,803,025	\$ 20,689,646	\$ 18,470,576	\$ 26,844,710	\$ 24,273,601

* See Note 2(t) to the basic financial statements.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2019

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

- Under governmental activities, net capital assets increased by \$352.0 million or 6.1 percent. About \$521.9 million worth of construction in progress work was substantially completed and capitalized as facilities and improvements and infrastructure. Of the completed projects, about \$401.2 million in the Moscone Center Improvement Project, \$20.6 million and \$13.0 million for Fire Stations 5 and 16, respectively, due to the Earthquake Safety and Emergency Response Bond expenditures, and \$10.2 million in the Polk Street Improvement Project. The remaining completed projects are mainly public works.
- The Water Enterprise's net capital assets increased by \$125.4 million or 2.4 percent, reflecting an increase in construction and capital improvement activities. Major additions to construction work in progress included Calaveras Dam Replacement, Recycled Water, Sunol Long Term Improvements, Regional Groundwater Storage and Recovery projects, Water Main Replacement at Van Ness Avenue/Market/Lombard Streets, various New Water Utility Services, San Francisco Groundwater Supply, and other upgrade and improvement programs. As of June 30, 2019, Water Enterprise's Water System Improvement Program was 97.0 percent completed with the construction of its multi-billion-dollar, multi-year program to upgrade its 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, 2019, 34 local projects were completed, and the target completion date is December 2019. For regional projects, 42 are completed and the expected completion date is December 2021. The Water System Improvement Program delivers capital improvements that enhance the Enterprise's ability to provide reliable, affordable, high quality drinking water to its customers.
- SFMTA's net capital assets increased by \$592.7 million or 14.0 percent mainly from procurement of new revenue vehicles of \$373.6 million and for the Central Subway Project construction in progress of \$134.7 million. The remaining \$84.4 million was from radio replacement, system upgrade, facility improvement, street improvement, and various infrastructure work. Equipment costs of \$547.9 million were incurred during the fiscal year for radio replacement and the procurement of hybrid motor buses, trolley buses, and light rail vehicles. Facilities and improvements cost totaling \$81.9 million was incurred in fiscal year 2018-19 for facility upgrades, Islais Creek annex renovation projects, and land improvements.
- Laguna Honda Hospital's net capital assets decreased by \$10.0 million or 2.0 percent due primarily higher depreciation expense and lower new construction in progress due to the completion of the new hospital facility in March 2014. LHH provides 780 resident beds in three state of the art buildings on LHH's 62-acre campus. The 500,000 square foot facility received silver certification by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program, becoming the first green-certified hospital in California.
- SFGH's net capital assets decreased by \$21.8 million or 14.4 percent due to primarily higher depreciation expense and lower new construction in progress due to the completion of the Zuckerberg San Francisco General Hospital rebuild in fiscal year 2015-16.
- The Wastewater Enterprise net capital assets reported an increase of \$230.7 million or 9.3 percent reflecting an increase in construction and capital improvement activities. The Sewer System Improvement Program (SSIP) includes three phases over 20 years to improve the existing wastewater system. As of June 30, 2019, 25 projects were completed, with 21 projects in preconstruction phase, 13 projects in construction phase, and 11 projects in close-out phase. The Southeast Plant (SEP) Primary and Secondary Clarifier Upgrades Project was completed on January 21, 2019. The project is intended to upgrade the mechanical, structural, and electrical components at the primary and secondary sedimentation tanks (clarifiers) at SEP to address operational reliability and compliance with regulatory requirements for liquid treatment.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

- Hetch Hetchy's net capital assets increased by \$71.2 million or 14.9 percent to \$550.6 million primarily due to additions of facilities, improvements, machinery, and equipment for Streetlight Replacement, Bay Corridor Project, Warnerville Substation Rehabilitation, Mountain Tunnel Improvement, and 2018 Moccasin Storm projects.
- The Airport's net capital assets increased \$1.20 billion or 24.4 percent primarily due to the capitalization of higher capital improvement project costs. The Airport maintains a Capital Improvement Plan to build new facilities, improve existing facilities, renovate buildings, repair or replace infrastructure, preserve assets, enhance safety and security, develop systems functionality, and perform needed maintenance. The Additional Long-Term Parking Garage and the Revenue Enhancement and Customer Hospitality (REACH) International Terminal projects were completed in fiscal year 2018-19. Construction activity continues on major projects such as the Terminal 1 (T1) Redevelopment Program, which includes the reconstruction of a new 25-gate Boarding Area B and the expansion of T1 Central Area, a new On-Airport Hotel, the extension of the AirTrain system to the long-term parking garages, renovation of the International Terminal Departures level, Boarding Area A gate enhancements, the renovation of the Superbay Hangar, and a new Industrial Waste Treatment Plant. Other notable projects are in programming and design such as the modernization of Terminal 3 (T3) West to the same customer experience and environmental standards as Terminal 2 (T2), and the Courtyard 3 Connector with a post-security passenger connector between T2 and T3 in conjunction with a multi-story office block for Commission and tenant use.
- The Port's net capital assets increased by \$29.6 million or 6.8 percent due to capitalization and depreciation of capital improvements in 2019, including the Crane Cove Park, a major new open space in the Union Iron Works National Historic District located at Pier 70. Pier 31.5 (Alcatraz Ferry Embarkation) Substructure Repair project included repairs to the Pier 31.5 marginal wharf and infill wharf and adjacent apron substructures. Pier 94 Backlands Improvements Project included creation of a storm water management system, landscaping, capping of a regulated landfill area, installation of lighting and other utilities, and the construction of a new access road. Pier 68 Shipyard Power Relocation Project replaced aged electrical infrastructure throughout the Pier 68 Shipyard. Pier 27 Passenger Shelter project installed a steel-framed passenger shelter, approximately 2,600 square feet, at the ground transportation area of the Pier 27 Cruise Terminal.

At the end of the year, the City's business-type activities had approximately \$1.30 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated \$237.7 million, MTA had \$422.2 million, Wastewater had \$269.1 million, Airport had \$246.8 million, Hetch Hetchy had \$96.5 million, Port had \$21.2 million, Laguna Honda Hospital had \$0.2 million and the General Hospital had \$6.8 million.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

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

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2019

Debt Administration

At June 30, 2019, the City had total long-term and commercial paper debt outstanding of \$19.85 billion. Of this amount, \$2.49 billion represents general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City. The remaining \$17.36 billion represents revenue bonds, commercial paper notes, certificates of participation and other debts of the City secured solely by specified revenue sources. As noted previously, the City's total long-term debt including all bonds, loans, commercial paper notes and capital leases increased by \$1.61 billion or 8.8 percent during the fiscal year.

For the year ended June 30, 2019, the net decrease in the long-term debt in the governmental activities was \$314.8 million and the net increase in business-type activities was \$1.80 billion as discussed in the highlights above.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the assessed value of taxable property in the City – estimated at \$258.55 billion in value as of the close of the fiscal year. As of June 30, 2019, the City had \$2.49 billion in authorized, outstanding general obligation bonds, which is equal to approximately 0.91 percent of gross (0.96 percent of net) taxable assessed value of property. As of June 30, 2019, there were an additional \$1.09 billion in bonds that were authorized but unissued. If all these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.31 percent of gross (1.39 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2019 were:

Standard & Poor's Global Ratings	AAA
Moody's Investors Service, Inc.	Aaa
Fitch Ratings	AA+

During the fiscal year, Standard & Poor's Global Ratings (S&P) raised the City's general obligation bonds rating to "AAA" from "AA+" and revised the rating outlook from "Positive" to "Stable". Moody's Investors Service (Moody's) and Fitch Ratings affirmed the City's ratings of "Aaa" and "AA+", respectively, and both maintained a "Stable" rating outlook on all the City's outstanding general obligation bonds.

The City's business-type activities carried underlying debt ratings for the SFMTA of "AA" with Stable Rating Outlook from Standard & Poor's and "Aa2" from Moody's. Moody's, Standard & Poor's and Fitch Ratings affirmed their underlying credit ratings on the outstanding debt of the Airport of "A1", "A+" and "A+", respectively, each with a "Stable" rating outlook. The Wastewater Enterprise carried underlying ratings of "Aa3" and "AA" from Moody's and Standard & Poor's, respectively.

Additional information in the City's long-term debt can be found in Note 8 to the Basic Financial Statements.

Economic factors and future budgets and rates

San Francisco 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 2019-20 and 2020-21. 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 rate for fiscal year 2018-19 was 2.3 percent, a decrease of 0.3 percent from the average unemployment rate in fiscal year 2017-18.
- Housing prices continued to show growth, reaching new historical highs. The average median home price in fiscal year 2018-19 was \$1.4 million, up 4.4 percent from the previous fiscal year.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

- Commercial rents have shown strong growth, also reaching new historical highs. The monthly per square foot rental rates for commercial space grew to \$81.72 in fiscal year 2018-19, a 9.1 percent increases over the prior year.
- The resident population also continued to grow, reaching a new historical high of 883,305 in 2018 according to the U.S. Census Bureau. This represents a 0.5 percent increase versus the prior year, and cumulative growth of 75,304 or 9.3 percent over the last decade.

The Board of Supervisors approved a final two-year budget for fiscal years 2019-20 and 2020-21 in July 2019, which assumes use of prior year fund balance from General Fund of \$210.6 million and \$285.2 million, respectively.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2019

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below are the contacts for questions about this report or requests for additional financial information.

City and County of San Francisco

Office of the Controller
1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102-4694

Individual Department Financial Statements

San Francisco International Airport

Office of the Airport Deputy Director
Business and Finance Division
PO Box 8097
San Francisco, CA 94128

Port of San Francisco

Public Information Officer
Pier 1, The Embarcadero
San Francisco, CA 94111

San Francisco Water Enterprise

Hetch Hetchy Water and Power

San Francisco Wastewater Enterprise

Chief Financial Officer
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102

Laguna Honda Hospital

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

Municipal Transportation Agency

SFMTA Chief Financial Officer
1 South Van Ness Avenue, 3rd Floor
San Francisco, CA 94103

Health Service System

Chief Financial Officer
1145 Market Street, Suite 300
San Francisco, CA 94103

Zuckerberg San Francisco

General Hospital and Trauma Center

Chief Financial Officer
1001 Potrero Avenue, Suite 2A5
San Francisco, CA 94110

San Francisco

Employees' Retirement System

Executive Director
1145 Market Street, 5th Floor
San Francisco, CA 94103

Successor Agency to the

San Francisco Redevelopment Agency

1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Retiree Health Care Trust

c/o Employees' Retirement System
1145 Market Street, 5th Floor
San Francisco, CA 94103

Blended Component Units Financial Statements

San Francisco County Transportation Authority

Deputy Director for Administration and Finance
1455 Market Street, 22nd Floor
San Francisco, CA 94103

San Francisco Finance Corporation

Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

WWW.SFGOV.ORG

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position

June 30, 2019

(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.....	\$ 5,848,403	2,452,211	\$ 8,300,614	\$ -
Deposits and investments outside City Treasury.....	274,933	14,988	289,921	-
Receivables (net of allowance for uncollectible amounts of \$283,147 for the primary government):				
Property taxes and penalties.....	109,824	-	109,824	-
Other local taxes.....	394,946	-	394,946	-
Federal and state grants and subventions.....	277,228	296,325	573,553	-
Charges for services.....	126,243	287,606	413,849	541
Interest and other.....	46,980	239,513	286,493	7
Due from component units.....	5,517	6	5,523	-
Inventories.....	-	102,735	102,735	-
Other assets.....	20,185	14,212	34,397	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	554,805	554,805	-
Deposits and investments outside City Treasury.....	6,565	452,454	459,019	-
Grants and other receivables.....	-	45,574	45,574	-
Total current assets.....	7,110,824	4,460,429	11,571,253	548
Noncurrent assets:				
Loan receivables (net of allowance for uncollectible amounts of \$1,493,211).....	184,555	-	184,555	-
Advance to component units.....	6,442	2,599	9,041	-
Other assets.....	-	9,024	9,024	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	1,512,128	1,512,128	-
Deposits and investments outside City Treasury.....	-	568,760	568,760	-
Grants and other receivables.....	-	22,494	22,494	-
Capital assets:				
Land and other assets not being depreciated.....	1,213,666	6,121,153	7,334,819	34,846
Facilities, infrastructure and equipment, net of depreciation.....	4,941,398	14,568,493	19,509,891	12
Total capital assets.....	6,155,064	20,689,646	26,844,710	34,858
Total noncurrent assets.....	6,346,061	22,804,651	29,150,712	34,858
Total assets.....	13,456,885	27,265,080	40,721,965	35,406
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt.....	12,767	204,755	217,522	-
Deferred outflows on derivative instruments.....	-	38,828	38,828	-
Deferred outflows related to pensions.....	814,250	560,455	1,374,705	14
Deferred outflows related to OPEB.....	169,737	143,245	312,982	-
Total deferred outflows of resources.....	\$ 996,754	\$ 947,283	\$ 1,944,037	\$ 14

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, 2019

(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
LIABILITIES				
Current liabilities:				
Accounts payable.....	\$ 516,881	\$ 230,184	\$ 747,065	\$ 639
Accrued payroll.....	118,941	91,560	210,501	87
Accrued vacation and sick leave pay.....	98,666	68,412	167,078	-
Accrued workers' compensation.....	51,733	39,274	91,007	-
Estimated claims payable.....	87,006	48,686	135,692	-
Bonds, loans, capital leases, and other payables.....	286,439	858,088	1,144,527	-
Accrued interest payable.....	19,192	65,501	84,693	-
Unearned grant and subvention revenues.....	64,965	-	64,965	-
Due to primary government.....	-	-	-	3,874
Internal balances.....	66,768	(66,768)	-	-
Unearned revenues and other liabilities.....	869,171	466,085	1,335,256	1,950
Liabilities payable from restricted assets:				
Bonds, loans, capital leases, and other payables.....	-	40,782	40,782	-
Accrued interest payable.....	-	56,096	56,096	-
Other.....	-	250,634	250,634	-
Total current liabilities.....	2,179,762	2,148,534	4,328,296	6,550
Noncurrent liabilities:				
Accrued vacation and sick leave pay.....	71,303	46,600	117,903	-
Accrued workers' compensation.....	229,735	187,616	417,351	-
Estimated claims payable.....	147,379	60,430	207,809	-
Bonds, loans, capital leases, and other payables.....	3,690,534	14,970,503	18,661,037	-
Advance from primary government.....	-	-	-	2,599
Unearned revenues and other liabilities.....	1,553	145,287	146,840	-
Derivative instruments liabilities.....	-	46,085	46,085	-
Net pension liability.....	2,656,465	1,772,650	4,429,115	28
Net other postemployment benefits (OPEB) liability.....	1,945,998	1,643,413	3,589,411	-
Total noncurrent liabilities.....	8,742,967	18,872,584	27,615,551	2,627
Total liabilities.....	10,922,729	21,021,118	31,943,847	9,177
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt.....	534	1,328	1,862	-
Deferred inflows related to pensions.....	448,400	336,786	785,186	4
Deferred inflows related to OPEB.....	180,485	152,410	332,895	-
Total deferred inflows of resources.....	629,419	490,524	1,119,943	4
NET POSITION				
Net investment in capital assets, Note 10(d).....	3,681,341	6,764,333	10,048,870	34,858
Restricted for:				
Reserve for rainy day.....	324,977	-	324,977	-
Debt service.....	104,720	331,118	435,838	-
Capital projects, Note 10(d).....	186,015	556,980	692,052	-
Community development.....	624,127	-	624,127	-
Transportation Authority activities.....	21,554	-	21,554	-
Building inspection programs.....	166,510	-	166,510	-
Children and families.....	181,248	-	181,248	-
Culture and recreation.....	197,547	-	197,547	-
Grants.....	116,829	-	116,829	-
Other purposes.....	100,860	165,675	266,535	-
Total restricted.....	2,024,387	1,053,773	3,027,217	-
Unrestricted (deficit), Note 10(d).....	(2,804,237)	(1,117,385)	(3,473,875)	(8,619)
Total net position.....	\$ 2,901,491	\$ 6,700,721	\$ 9,602,212	\$ 26,239

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, 2019 (In Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Treasure Island Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government:								
Governmental activities:								
Public protection.....	\$ 1,496,341	\$ 121,848	\$ 196,572	\$ -	\$ (1,177,921)	\$ -	\$ (1,177,921)	\$ -
Public works, transportation and commerce.....	331,717	164,578	37,216	77,548	(52,375)	-	(52,375)	-
Human welfare and neighborhood development.....	1,720,425	134,839	764,923	28,750	(791,913)	-	(791,913)	-
Community health.....	960,422	101,678	380,544	750	(477,450)	-	(477,450)	-
Culture and recreation.....	594,219	136,928	2,203	126,136	(328,952)	-	(328,952)	-
General administration and finance.....	330,358	99,278	2,492	-	(228,588)	-	(228,588)	-
General City responsibilities.....	156,907	56,027	8,566	-	(92,314)	-	(92,314)	-
Unallocated interest on long- term debt and cost of issuance.....	153,220	-	-	-	(153,220)	-	(153,220)	-
Total governmental activities.....	5,743,609	815,176	1,392,516	233,184	(3,302,733)	-	(3,302,733)	-
Business-type activities:								
Airport.....	1,067,265	980,443	-	23,611	-	(63,211)	(63,211)	-
Transportation.....	1,304,358	505,159	186,043	441,989	-	(171,167)	(171,167)	-
Port.....	123,116	122,033	3,331	1,469	-	3,717	3,717	-
Water.....	536,480	542,391	200	-	-	6,111	6,111	-
Power.....	314,471	345,386	3,390	-	-	34,305	34,305	-
Hospitals.....	1,236,823	1,014,124	58,558	-	-	(164,141)	(164,141)	-
Sewer.....	304,010	331,081	235	-	-	27,306	27,306	-
Total business-type activities.....	4,886,523	3,840,617	251,757	467,069	-	(327,080)	(327,080)	-
Total primary government.....	\$ 10,630,132	\$ 4,655,793	\$ 1,644,273	\$ 700,253	(3,302,733)	(327,080)	(3,629,813)	-
Component unit:								
Treasure Island Development Authority.....	\$ 16,523	\$ 10,207	\$ -	\$ 6,863				\$ 547
General Revenues								
Taxes:								
Property taxes.....					2,581,308	-	2,581,308	-
Business taxes.....					919,552	-	919,552	-
Sales and use tax.....					329,296	-	329,296	-
Hotel room tax.....					408,348	-	408,348	-
Utility users tax.....					93,918	-	93,918	-
Parking tax.....					86,020	-	86,020	-
Real property transfer tax.....					364,044	-	364,044	-
Other local taxes.....					65,371	-	65,371	-
Interest and investment income.....					178,350	182,666	361,016	33
Other.....					88,788	237,045	325,833	1,299
Transfers - internal activities of primary government.....					(802,748)	802,748	-	-
Total general revenues and transfers.....					4,312,247	1,222,459	5,534,706	1,332
Special item:								
Receipt of South Beach Harbor operations.....					-	18,340	18,340	-
Change in net position.....					1,009,514	913,719	1,923,233	1,879
Net position at beginning of year, as restated.....					1,891,977	5,787,002	7,678,979	24,360
Net position at end of year.....	\$ 2,901,491	\$ 6,700,721	\$ 9,602,212	\$ 26,239				

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

CITY AND COUNTY OF SAN FRANCISCO

Balance Sheet Governmental Funds

June 30, 2019

(With comparative financial information as of June 30, 2018)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2019	2018	2019	2018	2019	2018
Assets:						
Deposits and investments with City Treasury.....	\$ 3,284,538	\$ 2,727,607	\$ 2,538,400	\$ 2,188,574	\$ 5,822,938	\$ 4,916,181
Deposits and investments outside City Treasury.....	159	4,623	274,774	393,314	274,933	397,937
Receivables (net of allowance for uncollectible amounts of \$237,314 in 2019; \$260,922 in 2018):						
Property taxes and penalties.....	95,869	286,586	13,955	15,893	109,824	302,479
Other local taxes.....	309,569	299,841	85,377	17,303	394,946	317,144
Federal and state grants and subventions.....	163,247	223,578	113,981	98,717	277,228	322,295
Charges for services.....	105,935	77,641	20,266	20,221	126,201	97,862
Interest and other.....	28,618	16,749	17,946	9,348	46,564	26,097
Due from other funds.....	9,845	8,601	9,644	11,101	19,489	19,702
Due from component unit.....	2,149	-	3,368	4,226	5,517	4,226
Advance to component unit.....	-	-	6,442	8,214	6,442	8,214
Loans receivable (net of allowance for uncollectible amounts of \$1,493,211 in 2019; \$1,376,217 in 2018)	16,004	11,694	168,551	189,133	184,555	200,827
Other assets.....	2,829	6,385	17,356	1,645	20,185	8,030
Total assets.....	\$ 4,018,762	\$ 3,663,305	\$ 3,270,060	\$ 2,957,689	\$ 7,288,822	\$ 6,620,994
Liabilities:						
Accounts payable.....	\$ 333,922	\$ 256,870	\$ 180,615	\$ 172,506	\$ 514,537	\$ 429,376
Accrued payroll.....	97,555	91,270	19,136	17,876	116,691	109,146
Unearned grant and subvention revenues.....	11,627	7,829	53,338	23,300	64,965	31,129
Due to other funds.....	797	1,423	85,460	44,914	86,257	46,337
Unearned revenues and other liabilities.....	633,424	693,082	235,713	60,819	869,137	753,901
Bonds, loans, capital leases, and other payables.....	-	-	92,779	121,868	92,779	121,868
Total liabilities.....	1,077,325	1,050,474	667,041	441,283	1,744,366	1,491,757
Deferred inflows of resources.....	224,414	390,890	179,465	161,112	403,879	552,002
Fund balances:						
Nonspendable.....	1,259	1,512	140	82	1,399	1,594
Restricted.....	324,977	143,977	2,309,105	2,232,040	2,634,082	2,376,017
Committed.....	397,563	371,698	-	-	397,563	371,698
Assigned.....	1,361,787	1,291,499	114,640	124,076	1,476,427	1,415,575
Unassigned.....	631,437	413,255	(331)	(904)	631,106	412,351
Total fund balances.....	2,717,023	2,221,941	2,423,554	2,355,294	5,140,577	4,577,235
Total liabilities, deferred inflows of resources and fund balances.....	\$ 4,018,762	\$ 3,663,305	\$ 3,270,060	\$ 2,957,689	\$ 7,288,822	\$ 6,620,994

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

CITY AND COUNTY OF SAN FRANCISCO
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position

June 30, 2019
(In Thousands)

Fund balances – total governmental funds	\$ 5,140,577
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,142,974
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(4,431,747)
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.	403,879
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(18,152)
Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	11,616
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(2,247,461)
Net OPEB liability and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(1,912,029)
Internal service funds are used by management to charge the costs of capital lease financing, equipment maintenance services, printing and mailing services, and telecommunication 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.	(188,166)
Net position of governmental activities	<u>\$ 2,901,491</u>

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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019
(With comparative financial information year ended June 30, 2018)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2019	2018	2019	2018	2019	2018
Revenues:						
Property taxes.....	\$ 2,248,004	\$ 1,673,950	\$ 517,469	\$ 497,651	\$ 2,765,473	\$ 2,171,601
Business taxes.....	917,811	897,076	1,741	2,066	919,552	899,142
Sales and use tax.....	213,625	192,946	115,671	103,263	329,296	296,209
Hotel room tax.....	392,328	382,176	16,020	-	408,348	382,176
Utility users tax.....	93,918	94,460	-	-	93,918	94,460
Parking tax.....	86,020	83,484	-	-	86,020	83,484
Real property transfer tax.....	364,044	280,416	-	-	364,044	280,416
Other local taxes.....	65,371	60,287	-	-	65,371	60,287
Licenses, permits and franchises.....	27,960	28,803	15,456	14,377	43,416	43,180
Fines, forfeitures, and penalties.....	4,740	7,966	44,156	26,254	48,896	34,220
Interest and investment income.....	88,523	16,245	89,309	29,645	177,832	45,890
Rents and concessions.....	14,460	14,533	140,886	90,751	155,346	105,284
Intergovernmental:						
Federal.....	252,502	229,960	189,826	191,064	442,328	421,024
State.....	814,727	750,715	150,189	124,687	964,916	875,402
Other.....	2,120	3,134	11,510	13,859	13,630	16,993
Charges for services.....	257,814	248,926	179,726	166,643	437,540	415,569
Other.....	46,254	24,478	199,756	161,556	246,010	186,034
Total revenues.....	5,890,221	4,989,555	1,671,715	1,421,816	7,561,936	6,411,371
Expenditures:						
Current:						
Public protection.....	1,382,031	1,312,582	78,155	66,172	1,460,186	1,378,754
Public works, transportation and commerce.....	202,988	223,830	225,390	218,038	428,378	441,868
Human welfare and neighborhood development.....	1,071,309	999,048	626,772	500,168	1,698,081	1,499,216
Community health.....	809,120	706,322	109,210	109,440	918,330	815,762
Culture and recreation.....	152,250	142,215	301,304	282,579	453,554	424,794
General administration and finance.....	267,997	244,773	78,157	67,668	346,154	312,441
General City responsibilities.....	144,808	110,812	-	108	144,808	110,920
Debt service:						
Principal retirement.....	-	-	326,416	381,141	326,416	381,141
Interest and other fiscal charges.....	3	178	168,836	136,747	168,839	136,925
Bond issuance costs.....	-	-	876	8,934	876	8,934
Capital outlay.....	-	-	323,979	337,741	323,979	337,741
Total expenditures.....	4,030,506	3,739,760	2,239,095	2,108,736	6,269,601	5,848,496
Excess (deficiency) of revenues over (under) expenditures.....	1,859,715	1,249,795	(567,380)	(686,920)	1,292,335	562,875
Other financing sources (uses):						
Transfers in.....	104,338	112,228	749,215	512,919	853,553	625,147
Transfers out.....	(1,468,971)	(1,010,785)	(185,995)	(387,777)	(1,654,966)	(1,398,562)
Issuance of bonds:						
Face value of bonds issued.....	-	-	72,420	1,293,595	72,420	1,293,595
Premium on issuance of bonds.....	-	-	-	76,243	-	76,243
Other financing sources - capital leases.....	-	-	-	2,027	-	2,027
Total other financing sources (uses).....	(1,364,633)	(898,557)	635,640	1,497,007	(728,993)	598,450
Special item:						
Receipt of Yerba Buena Garden assets.....	-	-	-	11,137	-	11,137
Net changes in fund balances.....	495,082	351,238	68,260	821,224	563,342	1,172,462
Fund balances at beginning of year.....	2,221,941	1,870,703	2,355,294	1,534,070	4,577,235	3,404,773
Fund balances at end of year.....	\$ 2,717,023	\$ 2,221,941	\$ 2,423,554	\$ 2,355,294	\$ 5,140,577	\$ 4,577,235

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

CITY AND COUNTY OF SAN FRANCISCO

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2019

(In Thousands)

Net changes in fund balances - total governmental funds	\$ 563,342
---	------------

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.	351,492
--	---------

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.	(91,936)
--	----------

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.	(184,165)
---	-----------

Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds.	28,245
---	--------

Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds.	(7,988)
---	---------

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.	(12,384)
---	----------

Changes to net OPEB liability and OPEB related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	70,780
---	--------

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 consumes the current financial resources of governmental funds. These transactions, however, have no effect on net position. This is the amount by which principal retirement exceeded bond and other debt proceeds in the current period.	253,996
--	---------

Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond premiums and refunding losses and gains.	21,740
---	--------

The activities of internal service funds are reported with governmental activities.	16,392
---	--------

Change in net position of governmental activities	<u>\$ 1,009,514</u>
---	---------------------

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



This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Position - Proprietary Funds
June 30, 2019
(With comparative financial information as of June 30, 2018)
(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		Service Funds	
									2019	2018	2019	2018
ASSETS												
Current Assets:												
Deposits and investments with City Treasury.....	\$ 512,978	\$ 405,558	\$ 291,734	\$ 699,722	\$ 174,902	\$ 209,109	\$ 158,208	\$ -	\$ 2,452,211	\$ 2,394,027	\$ 25,465	\$ 36,595
Deposits and investments outside City Treasury.....	9,163	254	1	5,281	8	274	5	2	14,988	12,530	-	-
Receivables (net of allowance for uncollectible amounts of \$45,833 and \$35,131 in 2019 and 2018, respectively):												
Federal and state grants and subventions.....	-	111	3,512	208,538	27	39,043	13,985	31,109	296,325	344,231	-	-
Charges for services.....	62,003	55,151	40,672	6,873	61,290	33,781	-	27,836	287,606	304,047	42	112
Interest and other.....	6,043	4,953	1,998	9,232	213,974	1,454	1,299	560	239,513	122,456	416	556
Lease receivable.....	-	-	-	-	-	-	-	-	-	-	5,803	12,934
Due from other funds.....	-	660	7,251	45,550	-	297	15,308	-	69,066	32,718	-	-
Due from component unit.....	-	4	-	-	-	2	-	-	6	28	-	-
Inventories.....	224	5,426	1,615	78,214	12,447	2,284	1,348	1,177	102,735	104,617	-	-
Other assets.....	6,778	-	6,619	573	-	128	114	-	14,212	7,948	-	-
Restricted assets:												
Deposits and investments with City Treasury.....	442,428	-	-	-	-	-	26,042	86,335	554,805	436,332	-	-
Deposits and investments outside City Treasury.....	272,339	122,512	3,896	-	-	44,928	8,779	-	452,454	385,901	6,565	23,229
Grants and other receivables.....	36,900	3,771	262	-	-	4,641	-	-	45,574	35,378	-	-
Total current assets.....	1,348,856	598,400	357,560	1,053,983	462,648	335,941	225,088	147,019	4,529,495	4,180,213	38,291	73,426
Noncurrent assets:												
Other assets.....	-	3,836	940	-	-	1,517	2,731	-	9,024	10,870	-	-
Capital leases receivable.....	-	-	-	-	-	-	-	-	-	-	124,340	148,338
Advance to component unit.....	-	-	2,599	-	-	-	-	-	2,599	2,599	-	-
Restricted assets:												
Deposits and investments with City Treasury.....	824,883	2,224	31,868	169,268	-	483,885	-	-	1,512,128	1,458,455	-	-
Deposits and investments outside City Treasury.....	533,325	-	-	21,656	470	-	-	13,309	568,760	531,838	-	2,249
Grants and other receivables.....	6,802	3	-	981	-	453	-	14,255	22,494	23,337	-	-
Capital assets:												
Land and other assets not being depreciated.....	2,446,125	493,314	166,228	2,047,999	26,833	804,688	132,749	3,217	6,121,153	5,730,449	313	239
Facilities, infrastructure, and equipment, net of depreciation.....	3,685,217	4,895,344	384,403	2,766,773	102,617	1,917,116	331,523	485,500	14,568,493	12,740,127	11,777	11,304
Total capital assets.....	6,131,342	5,388,658	550,631	4,814,772	129,450	2,721,804	464,272	488,717	20,689,646	18,470,576	12,090	11,543
Total noncurrent assets.....	7,496,352	5,394,721	586,038	5,006,677	129,920	3,207,659	467,003	516,281	22,804,651	20,497,675	136,430	162,130
Total assets.....	8,845,208	5,993,121	943,598	6,060,660	592,568	3,543,600	692,091	663,300	27,334,146	24,677,888	174,721	235,556
DEFERRED OUTFLOWS OF RESOURCES												
Unamortized loss on refunding of debt.....	65,368	139,061	-	-	-	326	-	-	204,755	227,319	973	933
Deferred outflows on derivative instruments.....	38,828	-	-	-	-	-	-	-	38,828	29,245	-	-
Deferred outflows related to pensions.....	80,371	55,465	14,665	192,595	126,617	26,886	12,023	51,833	560,455	622,332	15,614	17,485
Deferred outflows related to OPEB.....	20,584	13,142	3,092	55,584	29,819	4,669	2,524	13,831	143,245	94,137	3,876	2,432
Total deferred outflows of resources.....	205,151	207,668	17,757	248,179	156,436	31,881	14,547	65,664	947,283	973,033	20,463	20,850

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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Position - Proprietary Funds (Continued)
June 30, 2019
(With comparative financial information as of June 30, 2018)
(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		Service Funds	
									2019	2018	2019	2018
LIABILITIES												
Current liabilities:												
Accounts payable.....	\$ 50,424	\$ 12,624	\$ 30,930	\$ 97,158	\$ 10,634	\$ 18,132	\$ 7,464	\$ 2,818	\$ 230,184	\$ 399,088	\$ 2,344	\$ 8,413
Accrued payroll.....	12,785	6,943	2,608	31,844	22,445	4,652	1,654	8,629	91,560	85,220	2,250	2,362
Accrued vacation and sick leave pay.....	10,499	5,706	2,534	23,773	14,533	4,151	1,362	5,854	68,412	68,784	1,936	1,997
Accrued workers' compensation.....	1,939	1,949	584	24,672	5,362	1,031	417	3,320	39,274	35,350	306	313
Estimated claims payable.....	43	3,872	757	36,801	-	7,013	200	-	48,686	48,182	-	-
Due to other funds.....	-	-	350	400	-	955	585	8	2,298	4,021	-	2,062
Unearned revenues and other liabilities.....	3,392	30,954	4,551	68,271	292,275	4,653	15,424	46,565	466,085	454,935	2,556	12,840
Accrued interest payable.....	-	38,288	542	4,960	87	18,486	1,740	1,398	65,501	59,037	1,040	1,153
Bonds, loans, capital leases, and other payables.....	186,033	264,923	53,618	10,707	17,135	315,533	3,079	7,060	858,088	645,179	6,083	12,904
Liabilities payable from restricted assets:												
Bonds, loans, capital leases, and other payables.....	40,782	-	-	-	-	-	-	-	40,782	65,195	-	-
Accrued interest payable.....	56,096	-	-	-	-	-	-	-	56,096	44,064	-	-
Other.....	155,738	31,915	9,622	9,673	-	42,931	-	755	250,634	325,399	-	-
Total current liabilities.....	517,731	397,174	106,096	308,259	362,471	417,537	31,925	76,407	2,217,600	2,234,454	16,515	42,044
Noncurrent liabilities:												
Accrued vacation and sick leave pay.....	7,704	4,394	1,708	15,077	10,368	3,126	957	3,266	46,600	44,904	1,649	1,454
Accrued workers' compensation.....	6,480	8,387	2,915	112,530	31,516	4,883	2,131	18,774	187,616	172,914	1,391	1,446
Estimated claims payable.....	103	7,637	1,527	41,558	-	9,355	250	-	60,430	62,149	-	-
Unearned revenue and other liabilities.....	-	56,164	4,403	-	-	7,500	77,220	-	145,287	131,243	-	-
Bonds, loans, capital leases, and other payables.....	7,786,412	4,811,382	63,864	360,156	10,952	1,744,209	86,625	106,903	14,970,503	13,209,415	128,457	160,020
Derivative instruments liabilities.....	46,085	-	-	-	-	-	-	-	46,085	37,558	-	-
Net pension liability.....	254,206	175,429	46,380	609,154	400,474	85,037	38,027	163,943	1,772,650	2,095,764	49,386	58,876
Net other postemployment benefits (OPEB) liability.....	236,160	150,771	35,472	637,698	342,112	53,567	28,956	158,677	1,643,413	1,716,544	44,469	44,344
Total noncurrent liabilities.....	8,337,150	5,214,164	156,269	1,776,173	795,422	1,907,677	234,166	451,563	18,872,584	17,470,491	225,352	266,140
Total liabilities.....	8,854,881	5,611,338	262,365	2,084,432	1,157,893	2,325,214	266,091	527,970	21,090,184	19,704,945	241,867	308,184
DEFERRED INFLOWS OF RESOURCES												
Unamortized gain on refunding of debt.....	1,096	-	-	232	-	-	-	-	1,328	1,486	356	-
Unamortized gain on leaseback transaction.....	-	-	-	-	-	-	-	-	-	3,680	-	-
Deferred inflows related to pensions.....	48,297	33,330	8,811	115,733	76,086	16,157	7,224	31,148	336,786	151,039	9,382	4,243
Deferred inflows related to OPEB.....	21,901	13,983	3,290	59,140	31,728	4,967	2,685	14,716	152,410	2,769	4,124	71
Total deferred inflows of resources.....	71,294	47,313	12,101	175,105	107,814	21,124	9,909	45,864	490,524	158,974	13,862	4,314
NET POSITION												
Net investment in capital assets.....	(646,073)	563,457	450,637	4,438,717	101,782	1,133,662	334,188	387,963	6,764,333	6,176,022	11,142	10,286
Restricted:												
Debt service.....	237,449	16,193	1,145	19,354	-	1,279	-	55,698	331,118	294,499	-	-
Capital projects.....	488,746	-	8,401	-	16,567	18,505	14,467	10,294	556,980	515,072	-	-
Other purposes.....	-	-	-	162,878	-	-	-	2,797	165,675	294,122	-	-
Unrestricted (deficit).....	44,062	(37,512)	226,706	(571,647)	(635,052)	75,697	81,983	(301,622)	(1,117,385)	(1,492,713)	(71,687)	(66,378)
Total net position.....	\$ 124,184	\$ 542,138	\$ 686,889	\$ 4,049,302	\$ (516,703)	\$ 1,229,143	\$ 430,638	\$ 155,130	\$ 6,700,721	\$ 5,787,002	\$ (60,545)	\$ (56,092)

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



This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2019

(With comparative financial information year ended June 30, 2018)

(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		Service Funds	
									2019	2018	2019	2018
Operating revenues:												
Aviation.....	\$ 565,635	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 565,635	\$ 670,282	\$ -	\$ -
Water and power service.....	-	509,703	345,109	-	-	-	-	-	854,812	686,805	-	-
Passenger fees.....	-	-	-	195,736	-	-	-	-	195,736	202,280	-	-
Net patient service revenue.....	-	-	-	-	820,325	-	-	179,575	999,900	959,158	-	-
Sewer service.....	-	-	-	-	-	317,761	-	-	317,761	303,037	-	-
Rents and concessions.....	161,889	13,010	277	8,339	2,697	702	83,328	-	270,242	263,710	528	436
Parking and transportation.....	165,523	-	-	220,946	-	-	21,793	-	408,262	402,316	-	-
Other charges for services.....	-	-	-	33,843	-	-	-	-	33,843	32,110	154,517	152,676
Other revenues.....	87,396	19,678	-	46,295	5,843	12,618	16,912	5,684	194,426	166,491	-	-
Total operating revenues.....	980,443	542,391	345,386	505,159	828,865	331,081	122,033	185,259	3,840,617	3,686,189	155,045	153,112
Operating expenses:												
Personal services.....	290,125	111,594	55,902	803,222	565,326	80,693	37,905	210,098	2,154,865	2,232,115	59,979	68,147
Contractual services.....	91,498	13,715	12,077	148,201	224,086	19,040	19,129	12,937	540,683	507,573	62,428	59,364
Light, heat and power.....	24,952	-	170,275	-	-	-	2,961	-	198,188	91,391	-	-
Materials and supplies.....	14,904	13,421	1,856	77,895	91,162	9,853	1,353	20,466	230,910	238,688	16,369	17,197
Depreciation and amortization.....	268,789	120,815	19,864	189,436	24,578	60,033	24,608	12,453	720,576	686,786	2,859	2,909
General and administrative.....	2,852	37,798	38,640	25,717	871	53,565	3,847	-	163,290	160,643	2,714	1,720
Services provided by other departments.....	29,565	59,751	11,663	73,810	49,764	36,629	18,718	12,228	292,128	275,092	10,905	7,977
Other.....	41,326	-	-	(19,566)	5,339	-	3,587	-	30,686	61,778	3,262	2,564
Total operating expenses.....	764,011	357,094	310,277	1,298,715	961,126	259,813	112,108	268,182	4,331,326	4,254,066	158,516	159,878
Operating income (loss).....	216,432	185,297	35,109	(793,556)	(132,261)	71,268	9,925	(82,923)	(490,709)	(567,877)	(3,471)	(6,766)
Nonoperating revenues (expenses):												
Operating grants:												
Federal.....	-	200	3,390	12,541	-	235	3,331	-	19,697	17,746	-	-
State / other.....	-	-	-	173,502	58,558	-	-	-	232,060	199,760	-	-
Interest and investment income.....	91,925	15,650	10,288	28,180	6,553	20,701	6,189	3,180	182,666	39,010	3,599	4,498
Interest expense.....	(228,941)	(177,998)	(3,066)	(5,643)	(1,711)	(43,803)	(4,334)	(5,804)	(471,300)	(426,015)	(3,911)	(4,981)
Other nonoperating revenues.....	112,203	49,987	10,530	38,873	-	11,007	-	14,445	237,045	246,827	665	256
Other nonoperating expenses.....	(74,313)	(1,388)	(1,128)	-	-	(394)	(6,674)	-	(83,897)	(115,771)	-	-
Total nonoperating revenues (expenses).....	(99,126)	(113,549)	20,014	247,453	63,400	(12,254)	(1,488)	11,821	116,271	(38,443)	353	(227)
Income (loss) before capital contributions and transfers.....	117,306	71,748	55,123	(546,103)	(68,861)	59,014	8,437	(71,102)	(374,438)	(606,320)	(3,118)	(6,993)
Capital contributions.....	23,611	-	-	441,989	-	-	1,469	-	467,069	456,166	-	-
Transfers in.....	-	1,200	24,522	631,763	115,856	-	440	136,230	910,011	911,619	47	414
Transfers out.....	(49,112)	(20,334)	(32)	-	(30,975)	(3,996)	-	(2,814)	(107,263)	(158,336)	(1,382)	-
Special item:												
Receipt of South Beach Harbor operations.....	-	-	-	-	-	-	18,340	-	18,340	-	-	-
Change in net position.....	91,805	52,614	79,613	527,649	16,020	55,018	28,686	62,314	913,719	603,129	(4,453)	(6,579)
Net position (deficit) at beginning of year, as restated.....	32,379	489,524	607,276	3,521,653	(532,723)	1,174,125	401,952	92,816	5,787,002	5,183,873	(56,092)	(49,513)
Net position (deficit) at end of year.....	\$ 124,184	\$ 542,138	\$ 686,889	\$ 4,049,302	\$ (516,703)	\$ 1,229,143	\$ 430,638	\$ 155,130	\$ 6,700,721	\$ 5,787,002	\$ (60,545)	\$ (56,092)

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, 2019
(With comparative financial information year ended June 30, 2018)
(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	L Hospital	Total		Governmental Activities - Internal Service Funds	
									2019	2018	2019	2018
Cash flows from operating activities:												
Cash received from customers, including cash deposits.....	\$ 1,040,251	\$ 540,479	\$ 318,359	\$ 567,427	\$ 674,404	\$ 328,729	\$ 39,014	\$ 240,791	\$ 3,749,454	\$ 3,627,315	\$ 218,809	\$ 175,852
Cash received from tenants for rent.....	-	12,837	275	8,585	2,697	653	81,496	-	106,543	103,003	-	-
Cash paid for employees' services.....	(299,273)	(124,905)	(56,282)	(802,823)	(555,815)	(84,071)	(38,534)	(210,972)	(2,172,675)	(2,099,259)	(59,767)	(61,144)
Cash paid to suppliers for goods and services.....	(246,160)	(126,412)	(220,629)	(358,235)	(422,536)	(107,233)	(51,571)	(102,269)	(1,635,045)	(1,248,515)	(150,275)	(87,168)
Cash paid for judgments and claims.....	-	(5,527)	(2,301)	(10,105)	-	(367)	-	-	(18,300)	(20,154)	-	-
Net cash provided by (used in) operating activities.....	494,818	296,472	39,422	(595,151)	(301,250)	137,711	30,405	(72,450)	29,977	362,390	8,767	27,540
Cash flows from noncapital financing activities:												
Operating grants.....	-	456	138	178,525	58,543	212	48	-	237,922	217,815	-	-
Transfers in.....	-	1,200	24,522	540,825	115,856	-	-	136,230	818,633	864,301	47	414
Transfers out.....	(49,112)	(20,334)	(32)	-	(30,975)	(3,996)	-	(2,814)	(107,263)	(174,113)	(1,382)	-
Other noncapital financing sources.....	1,303	5,955	9,677	19,321	-	897	5,578	8	42,739	88,445	-	-
Other noncapital financing uses.....	(58,972)	(1,388)	(1,011)	-	(179)	(540)	(6,500)	-	(68,590)	(93,637)	-	-
Net cash provided by (used in) noncapital financing activities.....	(106,781)	(14,111)	33,294	738,671	143,245	(3,427)	(874)	133,424	923,441	902,811	(1,335)	414
Cash flows from capital and related financing activities:												
Capital grants and other proceeds restricted for capital purposes.....	28,460	-	-	504,387	-	-	2,990	14,930	550,767	328,257	-	-
Transfers in.....	-	-	-	90,938	-	-	440	-	91,378	83,856	-	-
Bond sale proceeds and loans received.....	912,846	-	-	3,262	-	708,181	-	-	1,624,289	1,957,133	55,231	-
Proceeds from sale/transfer of capital assets.....	-	2,277	-	3,823	-	-	14	-	6,114	3,557	-	-
Proceeds from commercial paper borrowings.....	406,110	121,024	30,444	-	1,086	53,639	-	-	612,303	726,122	-	-
Proceeds from passenger facility charges.....	111,121	-	-	-	-	-	-	-	111,121	111,379	-	-
Acquisition of capital assets.....	(1,458,205)	(208,064)	(98,903)	(864,431)	(2,800)	(278,006)	(32,924)	(2,103)	(2,945,436)	(2,128,525)	(3,406)	(1,279)
Retirement of capital leases, bonds and loans.....	(238,180)	(79,221)	(2,828)	(10,055)	(4,823)	(48,111)	(2,693)	(6,735)	(392,646)	(892,379)	(92,719)	(11,194)
Bond issue costs paid.....	-	(4)	-	-	-	(2,801)	-	-	(2,805)	(1,734)	(644)	-
Interest paid on debt.....	(310,491)	(231,605)	(3,642)	(8,006)	(1,704)	(64,187)	(4,463)	(6,019)	(630,117)	(606,153)	(3,977)	(4,739)
Federal interest income subsidy from Build America Bonds.....	-	23,977	581	-	-	4,018	-	-	28,576	28,806	-	-
Other capital financing sources.....	-	-	-	15,083	-	-	550	-	15,633	14,427	7,566	-
Other capital financing uses.....	-	-	-	-	-	-	(2,565)	-	(2,565)	(4,920)	-	-
Net cash provided by (used in) capital and related financing activities.....	(548,339)	(371,616)	(74,348)	(264,999)	(8,241)	372,733	(38,651)	73	(933,388)	(380,174)	(37,949)	(17,212)
Cash flows from investing activities:												
Purchases of investments with trustees.....	(900,887)	(514,907)	(3,802)	-	-	(173,033)	-	-	(1,592,629)	(1,150,780)	-	(2,260)
Proceeds from sale of investments with trustees.....	966,275	484,965	4,840	-	-	166,729	-	12,733	1,635,542	1,241,380	2,260	-
Interest and investment income.....	49,000	10,829	5,979	25,933	6,553	12,654	5,465	2,847	119,260	48,011	510	119
Other investing activities.....	-	-	-	-	-	-	-	-	-	-	(47)	(313)
Net cash provided by (used in) investing activities.....	114,388	(19,113)	7,017	25,933	6,553	6,350	5,465	15,580	162,173	138,611	2,723	(2,454)
Net increase (decrease) in cash and cash equivalents.....	(45,914)	(108,368)	5,385	(95,546)	(159,693)	513,367	(3,655)	76,627	182,203	1,023,638	(27,794)	8,288
Cash and cash equivalents-beginning of year.....	1,846,996	587,604	320,857	991,473	335,073	213,817	196,416	23,019	4,515,255	3,491,617	59,824	51,536
Cash and cash equivalents-end of year.....	\$ 1,801,082	\$ 479,236	\$ 326,242	\$ 895,927	\$ 175,380	\$ 727,184	\$ 192,761	\$ 99,646	\$ 4,697,458	\$ 4,515,255	\$ 32,030	\$ 59,824

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 (Continued)
Year Ended June 30, 2019
(With comparative financial information year ended June 30, 2018)
(In Thousands)

	Business-Type Activities - Enterprise Funds											
	Major Funds								Total		Governmental Activities - Internal Service 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	L Hospital	2019	2018	2019	2018
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Operating income (loss).....	\$ 216,432	\$ 185,297	\$ 35,109	\$ (793,556)	\$ (132,261)	\$ 71,268	\$ 9,925	\$ (82,923)	\$ (490,709)	\$ (567,877)	\$ (3,471)	\$ (6,766)
Adjustments for non-cash and other activities:												
Depreciation and amortization.....	268,789	120,815	19,864	189,436	24,578	60,033	24,608	12,453	720,576	686,786	2,859	2,909
Provision for uncollectibles.....	(302)	147	246	132	-	149	2,212	-	2,584	(352)	-	-
Write-off of capital assets.....	-	1,286	6,101	-	-	8,386	-	-	15,773	5,697	-	-
Other.....	3,177	-	-	-	-	-	-	-	3,177	4,150	43	99
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:												
Receivables, net.....	33,913	(1,919)	(28,246)	2,535	(105,924)	(2,166)	(3,322)	730	(104,399)	15,343	18,590	17,363
Due from other funds.....	-	(370)	2,792	-	2	(184)	(350)	38,409	40,299	(28,771)	-	-
Inventories.....	(173)	135	(1,214)	3,156	355	(202)	4	(179)	1,882	(6,243)	-	-
Other assets.....	(3,065)	-	(2,337)	(442)	-	-	846	-	(4,998)	(2,626)	-	-
Accounts payable.....	(18,219)	(2,930)	11,545	7,895	(51,669)	52	(844)	(56,459)	(110,629)	141,605	(6,242)	4,750
Accrued payroll.....	887	283	263	2,652	1,660	258	(13)	623	6,613	5,249	(112)	120
Accrued vacation and sick leave pay.....	148	(586)	291	370	198	862	64	(23)	1,324	4,651	134	235
Accrued workers' compensation.....	426	(621)	550	6,387	7,360	130	(452)	4,845	18,625	14,337	(62)	(41)
Estimated claims payable.....	-	(1,893)	(182)	(1,538)	-	2,302	-	-	(1,311)	16,456	-	-
Due to other funds.....	-	(96)	(1,650)	311	-	-	585	-	(850)	(2,936)	-	-
Unearned revenue and other liabilities.....	3,392	11,504	(1,544)	(4,866)	(45,841)	3,265	(2,194)	16,393	(19,891)	(23,391)	(3,226)	2,182
Net pension liability and pension related deferred outflows and inflows of resources.....	(16,961)	(8,710)	(3,752)	(26,789)	12,403	(3,958)	(667)	(6,293)	(54,727)	(52,133)	(2,480)	4,884
Net OPEB liability and OPEB related deferred outflows and inflows of resources.....	6,374	(5,870)	1,586	19,166	(12,111)	(2,484)	3	(26)	6,638	152,445	2,734	1,805
Total adjustments.....	278,386	111,175	4,313	198,405	(168,989)	66,443	20,480	10,473	520,686	930,267	12,238	34,306
Net cash provided by (used in) operating activities.....	\$ 494,818	\$ 296,472	\$ 39,422	\$ (595,151)	\$ (301,250)	\$ 137,711	\$ 30,405	\$ (72,450)	\$ 29,977	\$ 362,390	\$ 8,767	\$ 27,540
Reconciliation of cash and cash equivalents to the statement of net position:												
Deposits and investments with City Treasury:												
Unrestricted.....	\$ 512,978	\$ 405,558	\$ 291,734	\$ 699,722	\$ 174,902	\$ 209,109	\$ 158,208	\$ -	\$ 2,452,211	\$ 2,394,027	\$ 25,465	\$ 36,595
Restricted.....	1,267,311	2,224	31,868	169,268	-	483,885	26,042	86,335	2,066,933	1,894,787	-	-
Deposits and investments outside City Treasury:												
Unrestricted.....	9,163	254	1	5,281	8	274	5	2	14,988	12,530	-	-
Restricted.....	805,664	122,512	3,896	21,656	470	44,928	8,779	13,309	1,021,214	917,739	6,565	25,478
Total deposits and investments.....	2,595,116	530,548	327,499	895,927	175,380	738,196	193,034	99,646	5,555,346	5,219,083	32,030	62,073
Less: Investments outside City Treasury not meeting the definition of cash equivalents.....	(794,034)	(51,312)	(1,257)	-	-	(11,012)	(273)	-	(857,888)	(703,828)	-	(2,249)
Cash and cash equivalents at end of year on statement of cash flows.....	\$ 1,801,082	\$ 479,236	\$ 326,242	\$ 895,927	\$ 175,380	\$ 727,184	\$ 192,761	\$ 99,646	\$ 4,697,458	\$ 4,515,255	\$ 32,030	\$ 59,824
Non-cash capital and related financing activities:												
Acquisition of capital assets on accounts payable and capital lease.....	\$ 150,568	\$ 31,915	\$ 9,622	\$ -	\$ -	\$ 42,931	\$ 3,790	\$ 557	\$ 239,383	\$ 301,232	\$ 74	\$ 3,599
Tenant improvements financed by rent credits.....	-	-	-	-	-	-	90	-	90	2,590	-	-
Net capitalized interest.....	66,267	53,431	724	7,906	-	27,354	64	-	155,746	115,993	-	-
Donated inventory.....	-	-	-	-	1,746	-	-	-	1,746	1,490	-	-
Capital contributions and other noncash capital items.....	-	-	-	-	-	-	(188)	-	(188)	(1,413)	-	-
Bond refunding through fiscal agent.....	18,134	-	-	-	-	-	-	-	18,134	26,789	-	-
Bond proceeds held by fiscal agent.....	577,510	-	-	-	-	-	-	-	577,510	802,338	-	-
Commercial paper repaid through fiscal agent.....	431,945	-	-	-	-	-	-	-	431,945	706,285	-	-
Interfund loan.....	-	-	-	-	-	955	-	-	955	1,157	-	-
Capital assets received from Successor Agency.....	-	-	-	-	-	-	19,966	-	19,966	-	-	-
Debt assumed from Successor Agency.....	-	-	-	-	-	-	(6,144)	-	(6,144)	-	-	-

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, 2019 (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.....	\$ 136,076	\$ 471,722	\$ 286,681	\$ 268,964
Deposits and investments outside City Treasury:				
Cash and deposits.....	62,375	-	-	34
Short-term investments.....	480,961	-	-	-
Debt securities.....	2,869,325	-	-	-
Equity securities.....	8,752,935	-	-	-
Real assets.....	4,334,229	-	-	-
Private equity and other alternative investments.....	9,937,307	-	-	-
Foreign currency contracts, net.....	96	-	-	-
Receivables:				
Employer and employee contributions.....	42,419	-	-	148,160
Brokers, general partners and others.....	145,829	-	-	-
Federal and state grants and subventions.....	-	-	404	-
Interest and other.....	24,004	4,348	7,226	135,893
Loans (net of allowance for uncollectible amounts).....	-	-	1,499	-
Other assets.....	3,066	-	1,824	45,538
Restricted assets:				
Deposits and investments outside City Treasury.....	-	-	293,497	-
Capital assets:				
Land and other assets not being depreciated.....	-	-	18,525	-
Facilities, infrastructure and equipment, net of depreciation.....	-	-	13	-
Total assets.....	<u>26,788,622</u>	<u>476,070</u>	<u>609,669</u>	<u>598,589</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt.....	-	-	44,090	-
Deferred outflows related to pensions.....	-	-	6,678	-
Deferred outflows related to OPEB.....	1,027	-	4,213	-
Total deferred outflows of resources.....	<u>1,027</u>	<u>-</u>	<u>54,981</u>	<u>-</u>
LIABILITIES				
Accounts payable.....	35,410	-	80,521	49,571
Estimated claims payable.....	27,899	-	-	-
Due to the primary government.....	-	-	1,649	-
Agency obligations.....	-	-	-	549,018
Accrued interest payable.....	-	-	14,521	-
Payable to brokers.....	148,879	-	-	-
Other liabilities.....	3,137	-	864	-
Advance from primary government.....	-	-	6,442	-
Long-term obligations.....	-	-	993,212	-
Net pension liability.....	-	-	27,178	-
Net other postemployment benefits (OPEB) liability.....	11,785	-	6,568	-
Total liabilities.....	<u>227,110</u>	<u>-</u>	<u>1,130,955</u>	<u>598,589</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	-	-	4,652	-
Deferred inflows related to OPEB.....	1,093	-	14	-
Total deferred inflows of resources.....	<u>1,093</u>	<u>-</u>	<u>4,666</u>	<u>-</u>
NET POSITION				
Restricted for pension and other employee benefits.....	26,561,446	-	-	-
Held for external pool participants.....	-	476,070	-	-
Held for Redevelopment Agency dissolution.....	-	-	(470,971)	-
Total net position.....	<u>\$ 26,561,446</u>	<u>\$ 476,070</u>	<u>\$ (470,971)</u>	<u>\$ -</u>

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, 2019
(In Thousands)

	Pension, Other Employee and Other Post- Employment Benefit Trust Funds	Investment Trust Fund	Private-Purpose Trust Fund
Additions:			
Redevelopment property tax revenues.....	\$ -	\$ -	\$ 158,635
Charges for services.....	-	-	13,717
Contributions:			
Employee contributions.....	587,150	-	-
Employer contributions.....	1,664,583	-	-
Contributions to pooled investments.....	-	4,159,607	-
Total contributions.....	<u>2,251,733</u>	<u>4,159,607</u>	<u>172,352</u>
Investment income (expenses):			
Interest.....	102,968	18,648	13,603
Dividends.....	203,047	-	-
Net appreciation in fair value of investments.....	<u>1,744,754</u>	<u>-</u>	<u>-</u>
Total investment income.....	<u>2,050,769</u>	<u>18,648</u>	<u>13,603</u>
Less investment income:			
Other investment expenses.....	<u>(48,758)</u>	<u>-</u>	<u>-</u>
Net investment income.....	<u>2,002,011</u>	<u>18,648</u>	<u>13,603</u>
Other additions.....	-	-	7,661
Total additions, net.....	<u>4,253,744</u>	<u>4,178,255</u>	<u>193,616</u>
Deductions:			
Neighborhood development.....	-	-	143,500
Depreciation.....	-	-	718
Interest on debt.....	-	-	45,916
Benefit payments.....	2,565,742	-	-
Refunds of contributions.....	17,747	-	-
Distribution from pooled investments.....	-	4,409,040	-
Administrative expenses.....	<u>19,115</u>	<u>-</u>	<u>11,656</u>
Total deductions.....	<u>2,602,604</u>	<u>4,409,040</u>	<u>201,790</u>
Change in net position.....	1,651,140	(230,785)	(8,174)
Net position at beginning of year.....	<u>24,910,306</u>	<u>706,855</u>	<u>(462,797)</u>
Net position at end of year.....	<u>\$ 26,561,446</u>	<u>\$ 476,070</u>	<u>\$ (470,971)</u>

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

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements

June 30, 2019

(Dollars in Thousands)

(1) THE FINANCIAL REPORTING ENTITY

San Francisco is a city and county chartered by the State of California and as such can exercise the powers as both a city and a county under state law. As required by generally accepted accounting principles, the accompanying financial statements present the City and County of San Francisco (the City or primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

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

Blended Component Units

Following is a description of those legally separate component units for which the City is financially accountable that are blended with the primary government because of their individual governance or financial relationships to the City.

San Francisco County Transportation Authority (Transportation Authority) – The voters of the City created the Transportation Authority in 1989 to impose voter-approved sales and use tax of one-half of one percent, for a period not to exceed 20 years, to fund essential traffic and transportation projects. In 2003, the voters approved Proposition K, extending the city-wide one-half of one percent sales tax with a new 30-year plan. A board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the Transportation Authority. The Transportation Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Transportation Authority can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103.

San Francisco City and County Finance Corporation (Finance Corporation) – The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase \$20.0 million (plus 5.0% per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

San Francisco Parking Authority (Parking Authority) – The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (PTC). The PTC consists of five commissioners appointed by the Mayor. Upon creation of the PTC, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the PTC. The staff and fiscal operations of the Parking Authority were also incorporated into the PTC. Beginning on July 1, 2002, the responsibility for overseeing the operations of the PTC became the responsibility of the Municipal Transportation Agency (SFMTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the SFMTA Chief Financial Officer at 1 South Van Ness Avenue, 3rd Floor, San Francisco, CA 94103.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Discretely Presented Component Unit

Treasure Island Development Authority (TIDA) – The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern the TIDA. The specific purpose of the TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse, and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare, and common benefit of the inhabitants of the City. The TIDA has adopted as its mission the creation of affordable housing and economic development opportunities on Treasure Island.

The TIDA's governing body is not substantively the same as that of the City and does not provide services entirely or almost entirely to the City. The TIDA is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the TIDA through the appointment of the TIDA's Board and the ability of the City to approve the TIDA's budget. Disclosures related to the TIDA, where significant, are separately identified throughout these notes. Separate financial statements are not prepared for TIDA. Further information about TIDA can be obtained from their administrative offices at 1 Avenue of the Palms, Suite 241, Treasure Island, San Francisco, CA 94130.

Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency) – The Successor Agency was created on February 1, 2012, to serve as a custodian for the assets and to wind down the affairs of the former San Francisco Redevelopment Agency pursuant to California Redevelopment Dissolution Law. The Successor Agency is governed by the Successor Agency Commission, commonly known as the Commission on Community Investment and Infrastructure, and is a separate public entity from the City. The Commission has five members, which serve at the pleasure of the City's Mayor and are subject to confirmation by the Board of Supervisors. The City is financially accountable for the Successor Agency through the appointment of the Commission and a requirement that the Board of Supervisors approve the Successor Agency's annual budget.

The financial statements present the Successor Agency and its component units, entities for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Per the Redevelopment Dissolution Law, certain actions of the Successor Agency are also subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: four City representatives appointed by the Mayor of the City subject to confirmation by the Board of Supervisors of the City; the Vice Chancellor of the San Francisco Community College District; the Board member of the Bay Area Rapid Transit District; and the Executive Director of Policy and Operations of the San Francisco Unified School District.

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenues in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

fund). Complete financial statements can be obtained from the Successor Agency's finance department at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

Non-Disclosed Organizations

There are other governmental agencies that provide services within the City. These entities have independent governing boards and the City is not financially accountable for them. The City's basic financial statements, except for certain cash held by the City as an agent, do not reflect operations of the San Francisco Airport Improvement Corporation, San Francisco Health Authority, San Francisco Housing Authority, San Francisco Unified School District and San Francisco Community College District. The City is represented in two regional agencies, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District, both of which are also excluded from the City's reporting entity.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The basic financial statements include certain prior year summarized comparative information. This information is presented only to facilitate financial analysis, and is not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended June 30, 2018, 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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 60 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, grants and subventions, licenses, charges for services, rents and concessions, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

- The **San Francisco International Airport Fund** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.
- The **San Francisco Water Enterprise Fund** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.
- The **Hetch Hetchy Water and Power Fund** accounts for the activities of Hetch Hetchy Water and Power (Hetch Hetchy) and CleanPowerSF. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity. CleanPowerSF aggregates the buying power of customers in San Francisco to purchase renewable energy.
- The **Municipal Transportation Agency Fund** accounts for the activities of the Municipal Transportation Agency (SFMTA). The SFMTA was established by Proposition E, passed by the City's voters in November 1999. The SFMTA includes the San Francisco Municipal Railway (Muni) and the operations of Sustainable Streets, which includes the Parking Authority. Muni was established in 1912 and is responsible for the operations of the City's public transportation system. Sustainable Streets is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. Sustainable Streets is a separate department of the SFMTA. The parking garages fund accounts for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.
- The **General Hospital Medical Center Fund** accounts for the activities of the San Francisco General Hospital (SFGH), a City-owned acute care hospital.
- The **San Francisco Wastewater Enterprise Fund** was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue \$240.0 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City's municipal sewage treatment and disposal system.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

- 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 **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 **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 **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 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 Law.
- The **Agency Funds** account for the resources held by the City in a custodial capacity on behalf of: the State of California and other governmental agencies; employees for payroll deductions; and human welfare, community health, and transportation programs.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

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) Deposits and Investments

Investment in the Treasurer's Pool

The Treasurer invests on behalf of most funds of the City and external participants in accordance with the City's investment policy and the California State Government Code. The City Treasurer, who reports on a monthly basis to the Board of Supervisors, manages the Treasurer's pool. In addition, the function of the County Treasury Oversight Committee is to review and monitor the City's investment policy and to monitor compliance with the investment policy and reporting provisions of the law through an annual audit.

The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issues of the Enterprise Funds, and the General Fund's cash reserve requirement. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City. The investments of the Retirement System and of the Retiree Health Care Trust Fund are held by trustees.

The San Francisco Unified School District (School District), San Francisco Community College District (Community College District), and the City are involuntary participants in the City's investment pool. As of June 30, 2019, involuntary participants accounted for approximately 96.8% of the pool. Voluntary participants accounted for 3.2% 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, 2019, \$471.7 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 4.1%. Internal participants accounted for 95.9% 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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

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 (NAV) provided by the investment managers. Private equity and private credit investments represent interest in limited partnerships. The fair values of private equity and private credit investments are also based on net asset values provided by the general partners.

The Absolute Return Program invests in limited partnerships and other alternative investment vehicles. The most common investment strategies include, but are not limited to equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, and commodities. These investments are valued using their respective NAV and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are typically valued on a monthly basis by each fund's independent administrator and for certain illiquid investments, where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions which can impede the timely return of capital. The valuation techniques vary based upon investment type but are predominantly derived from observed market prices.

San Francisco International Airport – The Airport has entered into certain derivative instruments, which it values at fair value, in accordance with GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 72 – *Fair Value Measurement and Application*. The Airport applies hedge accounting for changes in the fair value of hedging derivative instruments, in accordance with GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. Under hedge accounting, if the derivatives are determined to be effective hedges, the changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the statement of net position, otherwise changes in fair value are recorded within the investment revenue classification.

Other funds – Non-pooled investments are also generally carried at fair value. However, money market investments (such as short-term, highly liquid debt instruments including commercial paper and bankers' acceptances) that have a remaining maturity at the time of purchase of one year or less and nonparticipating interest-earning investment contracts (such as repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

Investment Income

Income from pooled investments is allocated at month-end to the individual funds or external participants based on the fund or participant's average daily cash balance in relation to total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the General Fund. On a generally accepted accounting principles (GAAP) basis, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental and internal service funds.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

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 governmental and internal service funds.

Interest income related to certain funds in fiduciary activities that are recorded in the General Fund on a budget basis, are recorded as other income instead of transfer in the GAAP basis. This is the case for certain Agency Funds.

(d) Loans Receivable

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issue loans to qualified applicants. In addition, the Department of Building Inspection manages other receivables from organizations. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2019, it was determined that \$1,493.2 million of the \$1,677.8 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.

(e) 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.

(f) Capital Assets

Capital assets, which include land, facilities and improvements, machinery and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary and private-purpose trust funds. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than \$5 and have an estimated life that extends beyond a single reporting period or more than a year. Intangible assets have a capitalization threshold of \$100. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds of tax-exempt debt over the same period. Amortization of assets acquired under capital leases is included in depreciation and amortization.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Facilities and improvements, infrastructure, machinery and equipment, 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.

(g) 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.

(h) 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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(i) Fund Equity

Governmental Fund Balance

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in one of five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The five fund balance classifications are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, such as prepaid amounts, as well as certain long-term receivables that would otherwise be classified as unassigned.
- *Restricted* – includes amounts that can only be used for specific purposes due to constraints imposed by external resource providers, by the City's Charter, or by enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes amounts that can only be used for specific purposes pursuant to an ordinance passed by the Board of Supervisors and signed by the Mayor. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned* – includes amounts that are not classified as nonspendable, restricted, or committed, but are intended to be used by the City for specific purposes. Intent is expressed by legislation or by action of the Board of Supervisors or the City Controller to which legislation has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Encumbrances

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year-end are recorded as part of restricted or assigned fund balance.

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt, including debt related deferred outflows and inflows of resources, that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the City, not restricted for any project or other purpose.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Trust Fund (RHCTF) and California Employers' Retiree Benefit Trust Fund Program (CERBT) and additions to/deductions from the plans' fiduciary net position has been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(p) 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.

(q) Deferred Outflows and Inflows of Resources

The City records deferred outflows or inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements for consumption or acquisition of net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

In governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. In government-wide financial statements, deferred outflows and inflows of resources are recorded for unamortized losses and gains on refunding of debt, deferred outflows and inflows of resources related to pensions and OPEB, deferred outflows of resources on derivative instruments, and deferred inflows of resources related to the SFMTA's leaseback transaction.

(r) Special Item

Special items are significant transactions or events within the control of management that are either (1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) or (2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates).

In accordance with the Redevelopment Dissolution Law, the Successor Agency transferred South Beach Harbor and related assets and liabilities to the City's Port during the year ended June 30, 2019. This transaction qualifies as a special item since this action was under the control of Port's management and met the criteria of infrequent (see Note 14).

(s) Estimates

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

(t) Correction of an error

The San Francisco Wastewater Enterprise recorded corrections to previously issued 2017-18 financial statements to eliminate recognition of certain capital assets. Net position as of July 1, 2017 has been reduced by \$6.8 million. Capital assets not being depreciated have been reduced and expenses have been increased by \$28.3 million as of and for the year ended June 30, 2018. As a result, the net position of Business-Type Activities on the Statement of Net Position as of July 1, 2018 has been decreased by \$35.1 million from previously reported results.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(3) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(a) Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

Total fund balances of the City's governmental funds, \$5,140,577 differs from net position of governmental activities, \$2,901,491 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheet.

	Total Governmental Funds	Long-term Assets, Liabilities ⁽¹⁾	Internal Service Funds ⁽²⁾	Reclassi- fications and Eliminations	Statement of Net Position Totals
Assets					
Deposits and investments with City Treasury.....	\$ 5,822,938	\$ -	\$ 25,465	\$ -	\$ 5,848,403
Deposits and investments outside City Treasury.....	274,933	-	6,565	-	281,498
Receivables, net					
Property taxes and penalties.....	109,824	-	-	-	109,824
Other local taxes.....	394,946	-	-	-	394,946
Federal and state grants and subventions.....	277,228	-	-	-	277,228
Charges for services.....	126,201	-	42	-	126,243
Interest and other.....	46,564	-	416	-	46,980
Due from other funds.....	19,489	-	-	(19,489)	-
Due from component unit.....	5,517	-	-	-	5,517
Advance to component unit.....	6,442	-	-	-	6,442
Loans receivable, net.....	184,555	-	-	-	184,555
Capital assets, net.....	-	6,142,974	12,090	-	6,155,064
Other assets.....	20,185	-	-	-	20,185
Total assets.....	7,288,822	6,142,974	44,578	(19,489)	13,456,885
Deferred outflows of resources					
Unamortized loss on refunding of debt.....	-	11,794	973	-	12,767
Deferred outflows related to pensions.....	-	798,636	15,614	-	814,250
Deferred outflows related to OPEB.....	-	165,861	3,876	-	169,737
Total deferred outflows of resources.....	-	976,291	20,463	-	996,754
Liabilities					
Accounts payable.....	514,537	-	2,344	-	516,881
Accrued payroll.....	116,691	-	2,250	-	118,941
Accrued vacation and sick leave pay.....	-	166,384	3,585	-	169,969
Accrued workers' compensation.....	-	279,771	1,697	-	281,468
Estimated claims payable.....	-	234,385	-	-	234,385
Accrued interest payable.....	-	18,152	1,040	-	19,192
Unearned grant and subvention revenues.....	64,965	-	-	-	64,965
Due to other funds.....	86,257	-	-	(19,489)	66,768
Unearned revenue and other liabilities.....	869,137	1,553	34	-	870,724
Bonds, loans, capital leases, and other payables.....	92,779	3,749,654	134,540	-	3,976,973
Net pension liability.....	-	2,607,079	49,386	-	2,656,465
Net OPEB liability.....	-	1,901,529	44,469	-	1,945,998
Total liabilities.....	1,744,366	8,958,507	239,345	(19,489)	10,922,729
Deferred inflows of resources					
Unavailable revenue.....	403,879	(403,879)	-	-	-
Unamortized gain on refunding of debt.....	-	178	356	-	534
Deferred inflows related to pensions.....	-	439,018	9,382	-	448,400
Deferred inflows related to OPEB.....	-	176,361	4,124	-	180,485
Total deferred inflows of resources.....	403,879	211,678	13,862	-	629,419
Fund balances/ net position					
Total fund balances/ net position.....	\$ 5,140,577	\$ (2,050,920)	\$ (188,166)	\$ -	\$ 2,901,491

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(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	\$ 8,104,923
Accumulated depreciation	<u>(1,961,949)</u>
	<u>\$ 6,142,974</u>

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	\$ (166,384)
Accrued workers' compensation.....	(279,771)
Estimated claims payable	(234,385)
Unearned revenue and other liabilities	(1,553)
Bonds, loans, capital leases, and other payables	<u>(3,749,654)</u>
	<u>\$ (4,431,747)</u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. \$ (18,152)

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.....	\$ 11,794
Unamortized gain on refunding of debt	(178)
	<u>\$ 11,616</u>

Net pension liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.

Net pension liability.....	\$(2,607,079)
Deferred outflows of resources related to pensions	798,636
Deferred inflows of resources related to pensions	<u>(439,018)</u>
	<u>\$ (2,247,461)</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Net OPEB liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to OPEB are not financial resources, and therefore, are not reported in the governmental funds.

Net OPEB liability	\$(1,901,529)
Deferred outflows of resources related to OPEB	165,861
Deferred inflows of resources related to OPEB.....	<u>(176,361)</u>
	<u><u>\$(1,912,029)</u></u>

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\$ 403,879

- (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	\$ (60,545)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(130,143)
Unearned revenue and other liabilities	<u>2,522</u>
	<u><u>\$ (188,166)</u></u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(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, \$563,342, differs from the change in net position for governmental activities, \$1,009,514, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

	Total Governmental Funds	Long-term Revenues/ Expenses (3)	Capital- related Items (4)	Internal Service Funds (5)	Long-term Debt Transactions (6)	Statement of Activities Totals
Revenues						
Property taxes.....	\$ 2,765,473	\$ (184,165)	\$ -	\$ -	\$ -	\$ 2,581,308
Business taxes.....	919,552	-	-	-	-	919,552
Sales and use tax.....	329,296	-	-	-	-	329,296
Hotel room tax.....	408,348	-	-	-	-	408,348
Utility users tax.....	93,918	-	-	-	-	93,918
Parking tax.....	86,020	-	-	-	-	86,020
Real property transfer tax.....	364,044	-	-	-	-	364,044
Other local taxes.....	65,371	-	-	-	-	65,371
Licenses, permits and franchises.....	43,416	(401)	-	-	-	43,015
Fines, forfeitures, and penalties.....	48,896	1,567	-	-	-	50,463
Interest and investment income.....	177,832	-	-	518	-	178,350
Rents and concessions.....	155,346	(187)	-	-	-	155,159
Intergovernmental:						
Federal.....	442,328	(75,580)	-	-	-	366,748
State.....	964,916	4,505	-	-	-	969,421
Other.....	13,630	87,215	-	-	-	100,845
Charges for services.....	437,540	10,328	-	-	-	447,868
Other.....	246,010	798	-	665	-	247,473
Total revenues.....	7,561,936	(155,920)	-	1,183	-	7,407,199
Expenditures/ Expenses						
Current:						
Public protection.....	1,460,186	19,538	18,459	(1,842)	-	1,496,341
Public works, transportation and commerce.....	428,378	11,022	(107,683)	-	-	331,717
Human welfare and neighborhood development.....	1,698,081	9,390	12,954	-	-	1,720,425
Community health.....	918,330	16,359	25,733	-	-	960,422
Culture and recreation.....	453,554	6,464	154,054	(19,853)	-	594,219
General administration and finance.....	346,154	(20,625)	8,394	(3,565)	-	330,358
General City responsibilities.....	144,808	(620)	9,248	3,471	-	156,907
Debt service:						
Principal retirement.....	326,416	-	-	-	(326,416)	-
Interest and other fiscal charges.....	168,839	-	-	4,499	(21,740)	151,598
Bond issuance costs.....	876	-	-	746	-	1,622
Capital outlay.....	323,979	-	(323,979)	-	-	-
Total expenditures.....	6,269,601	41,528	(202,820)	(16,544)	(348,156)	5,743,609
Excess (deficiency) of revenues over (under) expenditures.....	1,292,335	(197,448)	202,820	17,727	348,156	1,663,590
Other financing sources (uses) / changes in net position						
Net transfers in (out).....	(801,413)	-	-	(1,335)	-	(802,748)
Issuance of bonds and loans:						
Face value of bonds issued.....	72,420	-	-	-	(72,420)	-
Total other financing sources (uses).....	(728,993)	-	-	(1,335)	(72,420)	(802,748)
Capital contributions.....	-	-	148,672	-	-	148,672
Net change for the year.....	\$ 563,342	\$ (197,448)	\$ 351,492	\$ 16,392	\$ 275,736	\$ 1,009,514

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

- (3) Property taxes are recognized as revenues in the period the amount becomes available. This is the current period amount by which the deferred inflows of resources decreased in the governmental funds. \$ (184,165)

Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds. 28,245
\$ (155,920)

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. \$ (91,936)

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. (12,384)

Changes to net OPEB liability and OPEB related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds. 70,780

Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds. (7,988)
\$ (41,528)

- (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	\$ 446,785
Depreciation expense	(202,902)
Loss on disposal of capital assets	(1,363)
Capital contributions	148,672
Write off construction of progress	(39,700)
Difference	<u>\$ 351,492</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

- (5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. \$ 16,392

- (6) Repayment of bond principal is reported as expenditures in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments 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.

Principal payments made\$ 326,416

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Proceeds were received from:

General obligation bonds\$ (72,420)

\$ 253,996

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, notes payable and capital leases, and (2) amortization of bond premiums and refunding losses and gains are not expended within the fund statements.

Decrease in accrued interest.....	\$ 964
Amortization of bond premiums.....	22,392
Amortization of bond refunding losses and gains.....	<u>(1,616)</u>
	<u>\$ 21,740</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(4) EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2019, the City implemented the following accounting standards:

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for asset retirement obligations (AROs.) The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires disclosures of methods and assumptions used. The new standard is effective for periods beginning after June 15, 2018. Application of this statement did not have a significant impact on the City for the year ended June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 establishes a definition of debt for purposes of disclosure, requires that information provided for direct borrowings and direct placements of debt be reported separately from other debt, and requires more extensive disclosures about unused lines of credit, assets pledged as collateral, and terms related to default, termination, and acceleration. The new standard is effective for periods beginning after June 15, 2018. Application of this statement did not have a significant impact on the City for the year ended June 30, 2019. Required disclosures can be found in Note 8.

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

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The new standard is effective for periods beginning after December 15, 2018. Application of this statement is effective for the City's year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease assets, liabilities, and deferred inflows that currently are not reported. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the City's year ending June 30, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and no longer included in the historical cost of capital assets. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the City's year ending June 30, 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. GASB Statement No. 90 establishes standards for reporting a government's majority equity interest in a legally separate organization. The new standard is effective for periods beginning after December 15, 2018. Application of this statement is effective for the City's year ending June 30, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. The new standard is effective for periods beginning after December 15, 2020. Application of this statement is effective for the City's year ending June 30, 2022.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

Total City cash, deposits and investments, at fair value, are as follows:

	Primary Government			
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Deposits and investments with				
City Treasury.....	\$ 5,848,403	\$ 2,452,211	\$ 1,163,443	\$ 9,464,057
Deposits and investments outside				
City Treasury.....	274,933	14,988	26,437,262	26,727,183
Restricted assets:				
Deposits and investments with				
City Treasury.....	-	2,066,933	-	2,066,933
Deposits and investments outside				
City Treasury.....	6,565	1,021,214	293,497	1,321,276
Total deposits & investments	<u>\$ 6,129,901</u>	<u>\$ 5,555,346</u>	<u>\$ 27,894,202</u>	<u>\$ 39,579,449</u>
Cash and deposits.....				\$ 107,934
Investments.....				<u>39,471,515</u>
Total deposits and investments.....				<u>\$ 39,579,449</u>

(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 February 2018.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of 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%	30%
Commercial Paper	270 days	25% *	10%
Medium Term Notes	24 months *	25% *	10% *
Repurchase Agreements (Government Securities)	1 year	None	None
Repurchase Agreements (Securities permitted by CA Government Code, Sections 53601 and 53635)	1 year	10%	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	\$75 million *
Money Market (Institutional Government Funds)	N/A	20%	N/A
Supranationals	5 years	30%	None
State of California Local Agency Investment Fund (LAIF)	N/A	Statutory	None

* Represents restriction on which the City's investment policy is more restrictive than the California Government Code.

The Treasurer also holds for safekeeping bequests, trust funds, and lease deposits for other City departments. The bequests and trust funds consist of stocks and debentures. Those instruments are valued at par, cost, or fair value at the time of donation.

Other Funds

Other funds consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These funds are invested either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with grant agreements and may be restricted for the issuance of loans.

Employees' Retirement System

The Retirement System's investments are invested pursuant to investment policy guidelines as established by the Retirement Board. The objective of the policy is to maximize the expected return of the fund at an acceptable level of risk. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified.

Investment managers are required to diversify by issue, maturity, sector, coupon, and geography. Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from the Retirement Board. The Retirement System invests in securities with contractual cash flows, such as asset backed securities, commercial mortgage backed securities and collateralized mortgage obligations. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be affected by shifts in the market's perception of the issuers and changes in interest rates.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

The investment policy permits investments in domestic and international debt and equity securities, securities lending, foreign currency contracts, derivative instruments, private equity, real assets, private credit, and absolute return investments, which include investments in a variety of commingled partnership vehicles. The Retirement Board's asset allocation policies for the year ended June 30, 2019, are as follows:

Asset Class	Target Allocation since September 2017
Global Equity	31.0%
Treasuries	6.0%
Liquid Credit	3.0%
Private Credit	10.0%
Private Equity	18.0%
Real Assets	17.0%
Hedge Funds/Absolute Return	15.0%
	<u>100.0%</u>

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. The Retirement System maintains its operating fund cash in the Treasurer's Pool.

Retiree Health Care Trust Fund (RHCTF)

The RHCTF maintains cash in the Treasurer's Pool. The RHCTF's investments outside of the City Treasury are invested pursuant to investment policy guidelines as established by the RHCTF Board. The objective of the policy is to manage fund assets so as to achieve the highest, reasonably prudent real return possible. The RHCTF allocates its investments among numerous investment managers and in accordance with the investment policy approved by the RHCTF Board. The RHCTF Board has established percentage guidelines for types of investments to ensure the portfolio is diversified, as follows:

Asset Class	Target Allocation since November 2017
Equities	
U.S. Equity	41.0%
Developed Market Equity (Non-U.S.)	20.0%
Emerging Market Equity	16.0%
Credit	
High Yield Bonds	3.0%
Bank Loans	3.0%
Emerging Market Bonds	3.0%
Rate Securities	
Treasury Inflation-Protected Securities (TIPS)	5.0%
Investment Grade Bonds	9.0%
	<u>100.0%</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(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, 2019:

		Fair Value Measurements Using		
	Fair Value 6/30/2019	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	\$ 724,319	\$ 724,319	\$ -	\$ -
U.S. Agencies - Discount	39,853	-	39,853	-
U.S. Agencies - Coupon (no call option)	3,109,313	-	3,109,313	-
U.S. Agencies (callable option)	2,667,648	-	2,667,648	-
State and Local Agencies	110,128	-	110,128	-
Negotiable Certificates of Deposits	2,019,433	-	2,019,433	-
Corporate Notes	34,715	-	34,715	-
Supranationals	861,573	-	861,573	-
Commercial Paper	1,065,640	-	1,065,640	-
Public Time Deposits	35,000 *	-	-	-
Money Market Mutual Funds	945,918 *	-	-	-
Subtotal Investments in City Treasury	11,613,540	\$ 724,319	\$ 9,908,303	\$ -
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	564,757	\$ 564,757	\$ -	\$ -
U.S. Agencies	187,753	-	187,753	-
State and Local Agencies	1,372	-	1,372	-
Corporate Notes	4,065	-	4,065	-
Supranationals	6,474	-	6,474	-
Commercial Paper	10,791	-	10,791	-
Negotiable Certificates of Deposit	7,934	-	7,934	-
Commercial Paper	75,235 *	-	-	-
Money Market Mutual Funds	624,468 *	-	-	-
Certificates of Deposit	273 *	-	-	-
Subtotal Investments Outside City Treasury	1,483,122	\$ 564,757	\$ 218,389	\$ -

* Not subject to fair value hierarchy

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

	Fair Value 6/30/2019	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	479,220	\$ 29	\$ 3,948	\$ 475,243
Debt Securities:				
U.S. Government and Agency Securities	1,461,178	1,408,872	52,306	-
Other Debt Securities	935,020	150	832,051	102,813
Equity Securities:				
Domestic Equity	3,690,322	3,510,704	7,783	171,835
International Equity	2,355,081	2,351,998	3,074	9
Foreign Currency Contracts, net	96	-	-	96
Subtotal	8,920,917	\$ 7,271,759	\$ 899,162	\$ 749,996
Investments measured at the net asset value (NAV)				
Short-Term Investments	656			
Fixed Income invested in:				
Other Debt Securities	386,917			
Equity Funds invested in:				
Domestic	1,895,455			
International	514,724			
Real Assets	4,334,229			
Private Credit	758,662			
Private Equity	5,604,023			
Absolute Return	3,574,622			
Total investments measured at the NAV	17,069,288			
Subtotal Investments in Employees' Retirement System	25,990,205			
Retiree Health Care Trust Investments measured at the NAV				
Short-Term Investments	1,085			
Fixed Income:				
U.S. Debt Index Fund	86,210			
Equities:				
Domestic:				
S&P 500 Equity Index Fund	156,687			
International:				
EAFE Equity Index Fund	140,666			
Subtotal Investments in Retiree Health Care Trust	384,648			
Total Investments	\$39,471,515			

Investments Held in City Treasury

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

U.S. Agencies, State and Local Agencies, Negotiable Certificates of Deposit, Corporate Notes, Commercial Paper and Supranationals are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2 of the fair value hierarchy.

Money Market Funds have maturities of one year or less from fiscal year-end and are not subject to GASB Statement No. 72. Public Time Deposits are measured at cost.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Investments Held Outside City Treasury

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy. U.S. Agencies, State and Local Agencies, Corporate Notes, Supranationals, certain Commercial Paper and Negotiable Certificates of Deposit are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2. Certain Commercial Paper, Money Market Funds, and Certificates of Deposit are not subject to the fair value hierarchy.

Employees' Retirement System Investments

Investments at Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In some cases, a valuation technique may have multiple inputs used to measure fair value, and each input might fall into a different level of the fair value hierarchy. The level in the fair value hierarchy within which a fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement. The prices used in determining the fair value hierarchy are obtained from various pricing sources by the Retirement System's custodian bank.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Debt securities including short-term instruments are priced based on evaluated prices. Such evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities. For equity securities not traded on an active exchange, or if the closing price is not available, corroborated indicative quotes obtained from pricing vendors are generally used. Debt and equity securities classified in Level 3 of the fair value hierarchy are securities whose stated market prices are unobservable by the market place. Many of these securities are priced using uncorroborated indicative quotes, adjusted prices based on inputs from different sources, or evaluated prices using unobservable inputs, such as extrapolated data, proprietary models, and indicative quotes from pricing vendors.

Investments at Net Asset Value (NAV)

The equity and debt funds are commingled funds that are priced at net asset value by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. The NAV of an open-end fund is its price.

The fair value of the Retirement System's investments in real assets, private credit, private equity, and absolute return investments are based on net asset values provided by the investment managers and general partners (hereinafter collectively referred to as the "General Partners"). Such value generally represents the Retirement System's proportionate share of the net assets of the limited partnerships. The partnership financial statements are audited annually as of December 31 and the net asset values are adjusted by additional contributions to and distributions from the partnership, the Retirement System's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partners.

The General Partners may use one or more valuation methodologies outlined in FASB ASC 820, *Fair Value Measurement*. For some investments, little market activity may exist. The General Partners' determination of fair value is then based on the best information available in the circumstances and

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

may involve subjective assumptions and estimates, including the General Partners' assessment of the information that market participants would use in valuing the investments. The General Partners may take into consideration a combination of internal and external factors, including but not limited to, appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

The values provided by the General Partners may differ significantly from the values that would have been used had a ready market existed for these investments.

Private credit investments are held in commingled funds. These investments are mostly illiquid with distributions received over the life of the investments. They are typically not redeemed, nor do they have set redemption schedules. There are ten public equity investments held in commingled funds valued at net asset value. Two investments, valued at \$1.5 million, are currently being liquidated with proceeds expected over the next 2-4 years. The remaining investments may be subject to varying lock-up provisions and redemption schedules. The real asset holdings are illiquid. Distributions are received over the life of the investments, which could equal or exceed ten years. They are not redeemed, nor do they have set redemption schedules. Private equity investment strategies include buyout, venture capital, growth capital, and special situations. Investments in the asset class are achieved primarily through commingled fund and separate account partnerships but may also include direct and co-investment opportunities. Private equity investments are illiquid and distributions are received over the life of the investments, which could equal or exceed ten years. These investments are not typically redeemed, nor do they have set redemption schedules.

Absolute return investment strategies include equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, and commodities. Investments are achieved through limited partnerships. The table below provides a summary of the terms and conditions upon which the Retirement System may redeem its absolute return investments. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions that differ from the standard terms and conditions summarized here, which can impede the return of capital according to those terms and conditions.

Absolute Return Investments Measured at NAV as of June 30, 2019

% of NAV	Redemption Frequency	Redemption Notice Period
51%	Monthly	95 Days
47%	Quarterly	45-180 Days
2%	Semi-annually	60-65 Days
<hr/> 100%		
% of NAV in Lock Up	As of Fiscal Year End	
5%	2019-2020	
10%	2020-2021	
9%	2021-2022	

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Retiree Health Care Trust Fund

Investments at Net Asset Value (NAV)

At June 30, 2019, the Retiree Health Care Trust Fund had cash and investments in the City Treasury pool, commingled funds, mutual funds, feeder funds, and money market funds. The funds are priced at net asset value (NAV) by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. As of June 30, 2019, one debt security investment valued at \$22.4 million has quarter-end redemptions with a 90 day advance written notice requirement. In addition, one international equity investment valued at \$60.8 million has weekly redemptions with a three-day advance notification requirement. Both investments have 5% holdbacks for a full liquidation. There are no redemption restrictions for the remaining commingled funds.

(d) Investment Risks

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units not covered by Federal Deposit Insurance Corporation insurance by pledging government securities as collateral. The market value of pledged securities must equal at least 110.0% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i) of the City's deposits. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name. As of June 30, 2019, \$1.7 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 and Retiree Health Care Trust Fund's interest rate risk information is discussed in sections (f) and (g), respectively, of this note.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

		Investment Maturities		
	S & P Rating	Fair Value	Less than 1 year	1 to 5 years
Primary Government:				
Investments in City Treasury:				
U.S. Treasury Notes	AA+	\$ 724,319	\$ 374,098	\$ 350,221
U.S. Agencies	NR - AA+	5,816,814	1,675,611	4,141,203
Negotiable Certificates of Deposit	A-1 - A-1+	2,019,433	2,019,433	-
Money Market Mutual Funds	AAAm	945,918	945,918	-
Public time deposits	NR	35,000	35,000	-
State and Local Agencies	AA- - AA+	110,128	46,979	63,149
Supranationals	AAA	861,573	302,688	558,885
Corporate notes	A-1+ ,AA-	34,715	29,647	5,068
Commercial Paper	A-1-A-1+	1,065,640	1,065,640	-
Less: Employees' Retirement System				
Investments with City Treasury	n/a	(31,264)	-	(31,264)
Less: Retiree Health Care Trust				
Investments with City Treasury	n/a	(2,508)	-	(2,508)
Subtotal pooled investments		11,579,768	\$ 6,495,014	\$ 5,084,754
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	AA+	\$ 564,757	\$ 121,507	\$ 443,250
U.S. Agencies - Coupon	AA+	187,753	52,050	135,703
State and Local Agencies	AA, AA-	1,372	-	1,372
Supranationals	AAA	6,474	-	6,474
Corporate notes	AA+-AA-,AAA,A, AA	4,065	3,059	1,006
Money Market Mutual Funds	A-1, AAAm	523,943	523,943	-
U.S. Treasury Money Market Funds	AAAm	100,525	100,525	-
Commercial Paper	A-1+,A-1,AAAm	86,026	86,026	-
Negotiable Certificates of Deposit	NR,A-1 ,A+,AA-	8,207	7,031	1,176
Subtotal investments outside City Treasury		1,483,122	\$ 894,141	\$ 588,981
Retiree Health Care Trust Investments		387,156		
Employees' Retirement System investments		26,021,469		
Total Primary Government		\$ 39,471,515		

As of June 30, 2019, the investments in the City Treasury had a weighted average maturity of 466 days.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(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, 2019, the City Treasurer has investments in U.S. Agencies that represent 5.0% or more of the total Pool in the following:

Federal Home Loan Mortgage Corporation	19.0%
Federal Farm Credit Bank.....	13.9%
Federal Home Loan Bank	11.5%

In addition, the following major fund holds investments with trustees that represent 5.0% or more of the funds' investments outside City Treasury as of June 30, 2019:

Airport:	
Federal National Mortgage Association	8.84%
Federal Home Loan Bank.....	8.08%
Federal Home Loan Mortgage Corporation.....	5.41%

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(e) Treasurer's Pool

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of and for the year ended June 30, 2019:

Statement of Net Position

Net position held in trust for all pool participants.....	\$11,530,990
Equity of internal pool participants.....	\$11,054,920
Equity of external pool participants.....	476,070
Total equity.....	<u>\$11,530,990</u>

Statement of Changes in Net Position

Net position at July 1, 2018.....	\$10,514,604
Net change in investments by pool participants.....	1,016,386
Net position at June 30, 2019.....	<u>\$11,530,990</u>

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2019:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
U.S. Treasuries.....	1.43% - 2.67%	10/15/19 - 06/30/22	\$ 725,000	\$ 724,319
U.S. Agencies.....	1.10% - 3.11%	07/01/19 - 05/20/24	5,802,795	5,816,814
State and local agencies.....	1.38% - 2.80%	07/01/19 - 05/15/21	109,737	110,128
Public time deposits.....	2.23% - 2.55%	09/26/19 - 12/23/19	35,000	35,000
Negotiable certificates of deposit.....	2.35% - 3.12%	07/01/19 - 04/13/20	2,015,000	2,019,433
Commercial paper.....	2.32% - 2.97%	07/01/19 - 10/28/19	1,068,000	1,065,640
Corporate notes.....	2.25% - 3.08%	11/01/19 - 01/08/21	34,650	34,715
Money market mutual funds.....	2.25% - 2.30%	07/01/19 - 07/01/19	945,918	945,918
Supranationals.....	1.56% - 3.93%	07/26/19 - 06/28/24	861,151	861,573
			<u>\$11,597,251</u>	11,613,540
Carrying amount of deposits with Treasurer.....				(82,550)
Total cash and investments with Treasurer.....				<u>\$ 11,530,990</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(f) Retirement System's Investments

The Retirement System's investments as of June 30, 2019, are summarized as follows:

Fixed Income Investments:	
Short-Term investments	\$ 479,876
Investments in City Treasury	31,264
Debt securities:	
U.S. Government and agencies	1,461,178
Other debt securities	1,321,937
Subtotal debt securities	<u>2,783,115</u>
Total fixed income investments	<u>3,294,255</u>
Equity securities:	
Domestic	5,585,777
International	2,869,805
Total equity securities	<u>8,455,582</u>
Real assets	4,334,229
Private credit	758,662
Private equity	5,604,023
Absolute return	3,574,622
Foreign currency contracts, net	96
Total Retirement System Investments	<u>\$ 26,021,469</u>

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, 2019:

Investment Type	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Asset-Backed Securities	\$ 34,358	\$ -	\$ 9,360	\$ 1,600	\$ 23,398
Bank Loans	102,116	-	49,484	52,632	-
City Investment Pool	31,264	17,485	13,779	-	-
Commercial Mortgage-Backed	104,576	444	1,289	2,646	100,197
Commingled and Other					
Fixed Income Funds	391,318	6,136	-	185,119	200,063
Corporate Bonds	304,192	10,268	123,034	131,798	39,092
Corporate Convertible Bonds	229,370	3,882	145,410	64,476	15,602
Government Bonds	1,523,421	47,949	903,873	507,285	64,314
Government Mortgage-Backed Securities	40,154	-	-	4,554	35,600
Municipal/Provincial Bonds	3,580	-	-	124	3,456
Non-Government Backed					
Collateralized Mortgage Obligations	33,938	-	659	1,792	31,487
Options	(32)	(3)	(29)	-	-
Short-Term Investment Funds	492,830	492,830	-	-	-
Swaps	3,170	424	1,599	1,109	38
Total	<u>\$ 3,294,255</u>	<u>\$ 579,415</u>	<u>\$ 1,248,458</u>	<u>\$ 953,135</u>	<u>\$ 513,247</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Credit Risk

Fixed income investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Fixed income investment managers typically are limited within their portfolios to no more than 5.0% exposure in any single security, with the exception of United States Treasury and government agency securities. The Retirement System's credit risk policy is embedded in the individual investment manager agreements as prescribed and approved by the Retirement Board.

Investments are classified and rated using the lower of (1) 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, 2019. Investments issued or explicitly guaranteed by the U.S. government of \$1.42 billion as of June 30, 2019, are exempt from credit rating disclosures and are excluded from the table below.

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	\$ 37,988	2.0%
AA	49,415	2.6%
A	68,250	3.6%
BBB	192,051	10.2%
BB	135,911	7.2%
B	189,274	10.1%
CCC	30,643	1.6%
CC	65	0.0%
D	5,438	0.3%
Not Rated	1,165,658	62.4%
Total	<u>\$ 1,874,693</u>	<u>100.0%</u>

The securities listed as "Not Rated" include short-term investment funds, government mortgage backed securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these investments, the "Not Rated" component of credit would be approximately 8.0% for 2019.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement System's investment in a single issuer. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit. As of June 30, 2019, the Retirement System had no investments of a single issuer that equaled or exceeded 5.0% of total Retirement System's investments or net position.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government may not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2019, \$126.0 million of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System and were held by the counterparty's trust department or agent but not in the Retirement System's name.

Foreign Currency Risk

The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated cash, equity, fixed income, private equity investments, real assets, and private credit. The Retirement System's investment policy allows international managers to enter into foreign exchange contracts, which are limited to hedging currency exposure existing in the portfolio.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

The Retirement System's net exposures to foreign currency risk as of June 30, 2019, are as follows:

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Private Credit	Foreign Currency Contracts	Total
Argentina peso	\$ -	\$ -	\$ 1,452	\$ -	\$ -	\$ -	\$ 578	\$ 2,030
Australian dollar	-	36,373	(150)	1,803	-	-	68,768	106,794
Brazil real	-	17,584	12,401	-	-	-	2,707	32,692
Canadian dollar	-	24,015	-	-	-	-	51,145	75,160
Chilean peso	-	-	594	-	-	-	657	1,251
Chinese yuan renminbi	28,678	240,203	103	-	-	-	-	268,984
Colombian peso	-	-	6,008	-	-	-	4,287	10,295
Czech koruna	-	1,076	3,105	-	-	-	2,874	7,055
Danish krone	-	28,719	-	-	-	-	(3,628)	25,091
Dominican rep peso	-	-	1,484	-	-	-	-	1,484
Egyptian pound	-	-	-	-	-	-	5,339	5,339
Euro	-	413,076	40,484	118,202	293,032	38,431	(61,969)	841,256
Hong Kong dollar	-	86,355	-	-	-	-	634	86,989
Hungarian forint	-	2,064	13,622	-	-	-	(7,755)	7,931
Indonesian rupiah	-	3,120	12,184	-	-	-	1,788	17,092
Israeli shekel	-	3,917	195	-	-	-	2,941	7,053
Japanese yen	-	192,284	(44)	-	68,707	-	(7,026)	253,921
Kazakhstan tenge	-	-	277	-	-	-	1,027	1,304
Malaysian ringgit	-	1,469	7,233	-	-	-	307	9,009
Mexican peso	-	3,690	1,234	-	-	-	10,447	15,371
New Taiwan dollar	-	33,197	-	-	-	-	(2,710)	30,487
New Zealand dollar	-	463	-	-	-	-	41,041	41,504
Nigerian naira	3,948	-	-	-	-	-	1,623	5,571
Norwegian krone	-	2,450	-	-	-	-	(13,257)	(10,807)
Peruvian sol	-	-	15,327	-	-	-	(6,675)	8,652
Philippines peso	-	1,386	486	-	-	-	1,243	3,115
Polish zloty	-	-	16,035	-	-	-	(176)	15,859
Pound sterling	-	226,476	1,626	28,754	16,709	-	2,560	276,125
Romanian leu	-	-	1,186	-	-	-	(1,930)	(744)
New Russian ruble	-	-	12,454	-	-	-	(55)	12,399
Singapore dollar	-	6,305	-	-	-	-	2,560	8,865
South African rand	-	10,853	14,706	-	-	-	(3,013)	22,546
South Korean won	-	26,457	-	-	-	-	(1,380)	25,077
Swedish krona	-	26,736	(168)	-	-	-	(17,911)	8,657
Swiss franc	-	104,114	(14)	-	-	-	(89,647)	14,453
Thailand baht	-	3,358	2,858	-	-	-	8,982	15,198
Turkish lira	-	2,986	5,292	-	-	-	(2,413)	5,865
Ukraine hryvna	-	-	234	-	-	-	443	677
Uruguayan peso	-	-	332	-	-	-	-	332
Total	\$ 32,626	\$ 1,498,726	\$ 170,536	\$ 148,759	\$ 378,448	\$ 38,431	\$ (7,594)	\$ 2,259,932

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Derivative Instruments

As of June 30, 2019, 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.

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, 2019:

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	\$ 891,781	\$ 96	\$ 1,253
Futures			
Currency Futures Long	3,062	29	69
Equity Index Futures Long	214,700	3,073	6,897
Equity Index Futures Short	(43,024)	(410)	(854)
Treasury Futures Long	44,484	155	(236)
Options			
Foreign Exchange Contracts	(4,400)	(32)	110
Swaps			
Credit Contracts	7,867	(22)	64
Currency Contracts	2,031	(67)	(64)
Equity Index Contracts	120	(31)	1,530
Total Return Contracts	31,138	-	220
Interest Rate Contracts	314,416	3,257	2,548
Rights/Warrants			
Equity Contracts	51,613 shares	102,031	6,055
Total		<u>\$ 108,079</u>	<u>\$ 17,592</u>

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 statement of changes in fiduciary net position.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

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, 2019, the fair value of forward currency contracts in asset positions (including foreign exchange contract options) to purchase and sell international currencies were \$1.5 million and \$1.4 million, respectively. The Retirement System's counterparties to these contracts held credit ratings of A or better on 41.0% and credit ratings of B on 59.0% of the positions as assigned by one or more of the major credit rating organizations (S&P and/or Moody's).

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, 2019, 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, 2019.

Derivative Type / Contracts	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Forwards					
Foreign Exchange Contracts	\$ 96	\$ 168	\$ (72)	\$ -	\$ -
Options					
Foreign Exchange Contracts	(32)	(3)	(29)	-	-
Swaps					
Credit Contracts	(22)	(30)	8	-	-
Currency Contracts	(67)	-	(60)	(7)	-
Interest Rate Contracts	3,257	454	1,650	1,115	38
Total	<u>\$ 3,232</u>	<u>\$ 589</u>	<u>\$ 1,497</u>	<u>\$ 1,108</u>	<u>\$ 38</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

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, 2019:

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Sw ap	Receive Fixed 1.04%, Pay Variable 3-Month TELBOR	\$ 3,084	\$ 42
Interest Rate Sw ap	Receive Fixed 1.05%, Pay Variable 3-Month TELBOR	2,832	42
Interest Rate Sw ap	Receive Fixed 1.50%, Pay Variable 6-Month BUBOR	439	7
Interest Rate Sw ap	Receive Fixed 1.78%, Pay Variable 6-Month PRIBOR	1,088	4
Interest Rate Sw ap	Receive Fixed 1.81%, Pay Variable 3-Month TELBOR	1,486	76
Interest Rate Sw ap	Receive Fixed 1.83%, Pay Variable 6-Month THB	717	2
Interest Rate Sw ap	Receive Fixed 1.83%, Pay Variable 6-Month WIBOR	134	-
Interest Rate Sw ap	Receive Fixed 1.90%, Pay Variable 3-Month TELBOR	897	51
Interest Rate Sw ap	Receive Fixed 1.92%, Pay Variable 6-Month THB	505	6
Interest Rate Sw ap	Receive Fixed 1.93%, Pay Variable 6-Month THB	344	2
Interest Rate Sw ap	Receive Fixed 1.93%, Pay Variable 6-Month THB	101	1
Interest Rate Sw ap	Receive Fixed 1.94%, Pay Variable 6-Month THB	489	6
Interest Rate Sw ap	Receive Fixed 1.94%, Pay Variable 6-Month WIBOR	2,360	10
Interest Rate Sw ap	Receive Fixed 1.95%, Pay Variable 6-Month THB	675	4
Interest Rate Sw ap	Receive Fixed 2.00%, Pay Variable 6-Month WIBOR	644	2
Interest Rate Sw ap	Receive Fixed 2.01%, Pay Variable 6-Month THB	1,164	16
Interest Rate Sw ap	Receive Fixed 2.02%, Pay Variable 6-Month THB	652	4
Interest Rate Sw ap	Receive Fixed 2.04%, Pay Variable 6-Month THB	515	8
Interest Rate Sw ap	Receive Fixed 2.12%, Pay Variable 6-Month THB	1,138	16
Interest Rate Sw ap	Receive Fixed 2.18%, Pay Variable 6-Month THB	82	2
Interest Rate Sw ap	Receive Fixed 2.19%, Pay Variable 6-Month THB	228	2
Interest Rate Sw ap	Receive Fixed 2.19%, Pay Variable 6-Month THB	610	17
Interest Rate Sw ap	Receive Fixed 2.22%, Pay Variable 6-Month THB	457	4
Interest Rate Sw ap	Receive Fixed 2.25%, Pay Variable 6-Month PRIBOR	1,535	36
Interest Rate Sw ap	Receive Fixed 2.25%, Pay Variable 6-Month PRIBOR	5,228	28
Interest Rate Sw ap	Receive Fixed 2.39%, Pay Variable 6-Month THB	624	29
Interest Rate Sw ap	Receive Fixed 2.42%, Pay Variable 6-Month THB	624	30
Interest Rate Sw ap	Receive Fixed 2.51%, Pay Variable 6-Month THB	355	15
Interest Rate Sw ap	Receive Fixed 2.56%, Pay Variable 6-Month THB	763	42
Interest Rate Sw ap	Receive Fixed 2.58%, Pay Variable 6-Month THB	248	12
Interest Rate Sw ap	Receive Fixed 2.58%, Pay Variable 6-Month THB	179	9
Interest Rate Sw ap	Receive Fixed 2.63%, Pay Variable 6-Month THB	714	37
Interest Rate Sw ap	Receive Fixed 2.78%, Pay Variable 6-Month THB	30	2
Interest Rate Sw ap	Receive Fixed 2.81%, Pay Variable 6-Month THB	600	38
Interest Rate Sw ap	Receive Fixed 3.27%, Pay Variable 6-Month CLP	287	5
Interest Rate Sw ap	Receive Fixed 3.27%, Pay Variable 6-Month CLP	382	(1)
Interest Rate Sw ap	Receive Fixed 3.33%, Pay Variable 3-Month KLIBOR	436	-
Interest Rate Sw ap	Receive Fixed 3.54%, Pay Variable 6-Month CLP	730	25
Interest Rate Sw ap	Receive Fixed 3.76%, Pay Variable 6-Month CLP	1,822	76
Interest Rate Sw ap	Receive Fixed 3.77%, Pay Variable 6-Month CLP	1,801	89

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Sw ap	Receive Fixed 4.26%, Pay Variable 1-Day COOVIBR	\$ 770	\$ 1
Interest Rate Sw ap	Receive Fixed 4.58%, Pay Variable 1-Day COOVIBR	604	1
Interest Rate Sw ap	Receive Fixed 4.61%, Pay Variable 1-Day COOVIBR	655	1
Interest Rate Sw ap	Receive Fixed 5.12%, Pay Variable 1-Day COOVIBR	496	12
Interest Rate Sw ap	Receive Fixed 5.17%, Pay Variable 1-Day COOVIBR	3,175	87
Interest Rate Sw ap	Receive Fixed 5.63%, Pay Variable 28-Day MXIBR	161	(6)
Interest Rate Sw ap	Receive Fixed 5.88%, Pay Variable 1-Day COOVIBR	970	48
Interest Rate Sw ap	Receive Fixed 6.12%, Pay Variable 1-Day COOVIBR	102	7
Interest Rate Sw ap	Receive Fixed 6.20%, Pay Variable 1-Day COOVIBR	94	7
Interest Rate Sw ap	Receive Fixed 6.26%, Pay Variable 1-Day BIDOR	1,305	1
Interest Rate Sw ap	Receive Fixed 6.41%, Pay Variable 1-Day COOVIBR	521	48
Interest Rate Sw ap	Receive Fixed 6.43%, Pay Variable 1-Day COOVIBR	30	(3)
Interest Rate Sw ap	Receive Fixed 6.71%, Pay Variable 28-Day MXIBR	682	(44)
Interest Rate Sw ap	Receive Fixed 6.80%, Pay Variable 28-Day MXIBR	125	(2)
Interest Rate Sw ap	Receive Fixed 6.89%, Pay Variable 1-Day BIDOR	3,027	43
Interest Rate Sw ap	Receive Fixed 7.05%, Pay Variable 1-Day BIDOR	2,087	35
Interest Rate Sw ap	Receive Fixed 7.10%, Pay Variable 1-Day BIDOR	2,922	53
Interest Rate Sw ap	Receive Fixed 7.18%, Pay Variable 1-Day BIDOR	1,800	36
Interest Rate Sw ap	Receive Fixed 7.19%, Pay Variable 1-Day BIDOR	704	14
Interest Rate Sw ap	Receive Fixed 7.22%, Pay Variable 1-Day BIDOR	1,383	27
Interest Rate Sw ap	Receive Fixed 7.25%, Pay Variable 3-Month JIBAR	525	6
Interest Rate Sw ap	Receive Fixed 7.38%, Pay Variable 28-Day MXIBR	822	(1)
Interest Rate Sw ap	Receive Fixed 7.42%, Pay Variable 1-Day BIDOR	2,792	71
Interest Rate Sw ap	Receive Fixed 7.48%, Pay Variable 1-Day BIDOR	2,061	41
Interest Rate Sw ap	Receive Fixed 7.65%, Pay Variable 28-Day MXIBR	2,983	36
Interest Rate Sw ap	Receive Fixed 7.68%, Pay Variable 28-Day MXIBR	203	2
Interest Rate Sw ap	Receive Fixed 7.80%, Pay Variable 1-Day BIDOR	1,696	43
Interest Rate Sw ap	Receive Fixed 7.83%, Pay Variable 1-Day BIDOR	3,731	123
Interest Rate Sw ap	Receive Fixed 7.88%, Pay Variable 28-Day MXIBR	88	2
Interest Rate Sw ap	Receive Fixed 7.89%, Pay Variable 28-Day MXIBR	1,301	3
Interest Rate Sw ap	Receive Fixed 7.92%, Pay Variable 28-Day MXIBR	2,061	52
Interest Rate Sw ap	Receive Fixed 7.98%, Pay Variable 28-Day MXIBR	2,759	89
Interest Rate Sw ap	Receive Fixed 7.99%, Pay Variable 28-Day MXIBR	385	13
Interest Rate Sw ap	Receive Fixed 8.04%, Pay Variable 28-Day MXIBR	2,129	44
Interest Rate Sw ap	Receive Fixed 8.28%, Pay Variable 28-Day MXIBR	203	9
Interest Rate Sw ap	Receive Fixed 8.31%, Pay Variable 28-Day MXIBR	83	4
Interest Rate Sw ap	Receive Fixed 8.32%, Pay Variable 28-Day MXIBR	422	23
Interest Rate Sw ap	Receive Fixed 8.39%, Pay Variable 28-Day MXIBR	1,645	99
Interest Rate Sw ap	Receive Fixed 8.64%, Pay Variable 1-Day BIDOR	157	10
Interest Rate Sw ap	Receive Fixed 8.82%, Pay Variable 28-Day MXIBR	4,482	264
Interest Rate Sw ap	Receive Fixed 8.98%, Pay Variable 28-Day MXIBR	521	34
Interest Rate Sw ap	Receive Fixed 9.65%, Pay Variable 1-Day BIDOR	626	77
Interest Rate Sw ap	Receive Fixed 9.76%, Pay Variable 1-Day BIDOR	26	3

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Sw ap	Receive Fixed 10.30%, Pay Variable 1-Day BIDOR	\$ 391	\$ 58
Interest Rate Sw ap	Receive Fixed 10.30%, Pay Variable 1-Day BIDOR	130	17
Interest Rate Sw ap	Receive Fixed 10.33%, Pay Variable 1-Day BIDOR	2,166	319
Interest Rate Sw ap	Receive Fixed 11.33%, Pay Variable 1-Day BIDOR	2,270	416
Interest Rate Sw ap	Receive Fixed 11.38%, Pay Variable 1-Day BIDOR	6,340	580
Interest Rate Sw ap	Receive Fixed 12.06%, Pay Variable 1-Day BIDOR	728	98
Interest Rate Sw ap	Receive Fixed 12.20%, Pay Variable 1-Day BIDOR	1,354	202
Interest Rate Sw ap	Receive Fixed 12.29%, Pay Variable 1-Day BIDOR	183	38
Interest Rate Sw ap	Receive Fixed 16.40%, Pay Variable 1-Day BIDOR	3,131	859
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 11.35%	1,226	(166)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 6.25%	24,944	(28)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 6.41%	59,463	-
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 6.93%	1,644	(24)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 6.93%	965	(14)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 6.98%	3,757	(63)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 7.26%	2,714	(55)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 7.29%	4,331	(90)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 8.79%	1,200	(66)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 9.60%	1,070	(123)
Interest Rate Sw ap	Receive Variable 1-Day COOVIBR, Pay Fixed 4.88%	1,580	(23)
Interest Rate Sw ap	Receive Variable 1-Day COOVIBR, Pay Fixed 4.88%	420	(6)
Interest Rate Sw ap	Receive Variable 1-Day COOVIBR, Pay Fixed 5.28%	432	14
Interest Rate Sw ap	Receive Variable 1-Day COOVIBR, Pay Fixed 6.39%	404	(37)
Interest Rate Sw ap	Receive Variable 1-Day COOVIBR, Pay Fixed 6.42%	65	(6)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 6.87%	661	8
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 7.72%	5,205	(76)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 7.73%	796	(12)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 8.11%	1,286	(51)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 8.29%	5,726	(10)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 9.09%	1,156	(126)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 9.10%	2,717	(299)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 9.21%	442	(52)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 9.33%	312	(39)
Interest Rate Sw ap	Receive Variable 3-Month JIBAR, Pay Fixed 7.75%	660	(6)
Interest Rate Sw ap	Receive Variable 3-Month KLIBOR, Pay Fixed 3.74%	581	(6)
Interest Rate Sw ap	Receive Variable 3-Month KLIBOR, Pay Fixed 3.75%	920	(10)
Interest Rate Sw ap	Receive Variable 3-Month LIBOR, Pay Fixed 2.50%	59,600	(71)
Interest Rate Sw ap	Receive Variable 3-Month TELBOR, Pay Fixed 0.70%	953	3
Interest Rate Sw ap	Receive Variable 3-Month TELBOR, Pay Fixed 0.95%	617	(6)
Interest Rate Sw ap	Receive Variable 3-Month TELBOR, Pay Fixed 0.95%	477	(5)
Interest Rate Sw ap	Receive Variable 3-Month TELBOR, Pay Fixed 0.96%	1,065	(11)
Interest Rate Sw ap	Receive Variable 6-Month BLIBOR, Pay Fixed 0.46%	13,529	(16)
Interest Rate Sw ap	Receive Variable 6-Month PRIBOR, Pay Fixed 2.47%	1,477	(48)
Interest Rate Sw ap	Receive Variable 6-Month WIBOR, Pay Fixed 1.86%	4,559	(11)
Interest Rate Sw ap	Receive Variable 6-Month WIBOR, Pay Fixed 2.25%	456	(8)
Total Interest Rate Sw aps		<u>\$ 314,416</u>	<u>\$ 3,257</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Foreign Currency Risk

At June 30, 2019, the Retirement System is exposed to foreign currency risk on its investments in forwards, rights, warrants, and swaps and futures denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2019:

Currency	Forwards	Swaps	Futures	Total
Argentina peso	\$ 578	\$ (478)	\$ -	\$ 100
Australian dollar	68,768	(150)	(118)	68,500
Brazil real	2,707	2,535	-	5,242
Canadian dollar	51,145	-	17	51,162
Chilean peso	657	194	-	851
Colombian peso	4,287	152	-	4,439
Czech koruna	2,874	20	-	2,894
Danish krone	(3,628)	-	-	(3,628)
Egyptian pound	5,339	-	-	5,339
Euro	(61,969)	329	756	(60,884)
Hong Kong dollar	634	-	231	865
Hungarian forint	(7,755)	(9)	-	(7,764)
Indonesian rupiah	1,788	-	-	1,788
Israeli shekel	2,941	195	-	3,136
Japanese yen	(7,026)	(44)	-	(7,070)
Kazakhstan tenge	1,027	-	-	1,027
Malaysian ringgit	307	(16)	-	291
Mexican peso	10,447	(39)	-	10,408
New Taiwan dollar	(2,710)	-	-	(2,710)
New Zealand dollar	41,041	-	-	41,041
Nigerian naira	1,623	-	-	1,623
Norwegian krone	(13,257)	-	-	(13,257)
Peruvian sol	(6,675)	-	-	(6,675)
Philippines peso	1,243	-	-	1,243
Polish zloty	(176)	(7)	-	(183)
Pound sterling	2,560	-	54	2,614
Romanian leu	(1,930)	-	-	(1,930)
New Russian ruble	(55)	-	-	(55)
Singapore dollar	2,560	-	28	2,588
South African rand	(3,013)	-	-	(3,013)
South Korean won	(1,380)	-	-	(1,380)
Swedish krona	(17,911)	(168)	(69)	(18,148)
Swiss franc	(89,647)	(14)	-	(89,661)
Thailand baht	8,982	305	-	9,287
Turkish lira	(2,413)	(30)	-	(2,443)
Ukraine hryvana	443	-	-	443
Total	\$ (7,594)	\$ 2,775	\$ 899	\$ (3,920)

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Contingent Features

At June 30, 2019, the Retirement System held no positions in derivatives containing contingent features.

Investments in Real Assets

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the year ended June 30, 2019, are summarized as follows:

Beginning of the year	\$ 3,578,379
Capital investments	902,896
Equity in net earnings	98,521
Net appreciation in fair value	241,048
Capital distributions	(486,615)
End of the year	<u>\$ 4,334,229</u>

(g) Retiree Health Care Trust Fund

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The RHCTF does not have a specific policy to manage interest rate risk but invests in a diversified portfolio of stocks and bonds with a goal of reducing sensitivity to any one interest rate regime.

As of June 30, 2019, the weighted average maturities in years for the RHCTF's fixed income investments were as follows:

<u>Investment Type</u>	<u>Weighted Average Maturity in Years</u>
US Debt Index Fund	7.75
US Treasury TIPS Fund	8.15
Emerging Markets Debt Fund	10.90
Multi-Sector Debt Fund	7.90
City Investment Pool	1.28
Treasury Money Market Fund	0.15

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The RHCTF's investments in the US Debt Index Fund, US Treasury TIPS Fund, Emerging Markets Debt Fund, Multi-Sector Debt Fund, City's investment pool and Treasury Money Market Fund are not rated. Although those funds may invest in rated securities, and securities issued or explicitly guaranteed by the U.S. Government that are exempt from the credit rating disclosures, the funds do not themselves have a specific credit rating.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Securities issued or explicitly guaranteed by the U.S. government are excluded from this disclosure. As of June 30, 2019, the RHCTF had only commingled funds and a partnership investment that equaled or exceeded 5% of the plan's fiduciary net position. However, there is no position within the funds or partnership investment that has equal and greater than 5% at the issuer level and likely very little, if any, overlap.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the RHCTF would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The RHCTF does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the RHCTF's custodial agent in the RHCTF's name. As of June 30, 2019, none of the RHCTF's investments were exposed to custodial credit risk because they were either insured or registered in the name of the RHCTF and were held by the counterparty's trust department or agent.

Foreign Currency Risk

The RHCTF allows investments in international equity. The RHCTF's investments in the commingled funds are denominated in U.S. dollars, but may consist of underlying securities that are denominated in foreign currencies. The RHCTF's investment managers value investments denominated in foreign currencies by converting them into U.S. dollars using the most appropriate exchange rates as identified by each manager. Also, the cost of purchases and proceeds from sales of investments, interest and dividend income are translated into U.S. dollars using the spot market rate of exchange prevailing on the respective dates of such transactions.

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 9.5 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(6) PROPERTY TAXES

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state law. Property taxes are levied on both real and personal property. Liens for secured property taxes attach on January 1st preceding the fiscal year for which taxes are levied. Secured property taxes are levied on the first business day of September and are payable in two equal installments: the first is due on November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property taxes that are delinquent and unpaid as of June 30th are subject to redemption penalties, costs, and interest when paid. If not paid at the end of five years, the secured property may be sold at public auction and the proceeds used to pay delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Unsecured personal property taxes do not represent a lien on real property. Those taxes are levied on January 1st and become delinquent with penalties after August 31st. Supplemental property tax assessments associated with changes in the assessed valuation due to transfer of ownership in property or upon completion of new construction are levied in two equal installments and have variable due dates based on the date the bill is mailed.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-1979, general property taxes are based either on a flat 1% rate applied to the adjusted 1975-1976 value of the property and new construction value added after the 1975-1976 valuation or on a flat 1.0% rate of the sales price of the property for changes in ownership. Taxable values on properties (exclusive of increases related to sales and construction) can rise or be adjusted at the lesser of 2.0% per year or the inflation rate as determined by the Board of Equalization's California Consumer Price Index.

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1.0% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39, which set the approval threshold at 55.0% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately \$289.7 million for the year ended June 30, 2019.

Taxable valuation for the year ended June 30, 2019, (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately \$235.9 billion, an increase of 11.0%. The secured tax rate was \$1.1630 per \$100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: about \$0.65 for general government, about \$0.35 for other taxing entities including the San Francisco Unified School District, San Francisco County Office of Education, San Francisco Community College District, the Bay Area Air Quality Management District, and the San Francisco Bay Area Rapid Transit District, and \$0.1630 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.63% and 2.52%, respectively, of the current year tax levy, for an average delinquency rate of 0.74% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100.0% of the secured property taxes billed but not yet collected by the City; in return, as the delinquent property taxes and associated penalties and interest are collected, the City retains such tax amounts in the Agency Fund. To the extent the Agency Fund balances are higher than required; transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve as of June 30, 2019, was \$29.1 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, 2019
(Dollars in Thousands)

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Increases ⁽¹⁾	Decreases ⁽¹⁾	Balance June 30, 2019
Governmental Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 484,474	\$ 34,760	\$ -	\$ 519,234
Intangible assets.....	8,732	841	-	9,573
Construction in progress.....	849,925	396,502	(561,568)	684,859
Total capital assets, not being depreciated.....	1,343,131	432,103	(561,568)	1,213,666
Capital assets, being depreciated:				
Facilities and improvements.....	4,612,550	559,430	(103)	5,171,877
Machinery and equipment.....	593,154	33,379	(54,667)	571,866
Infrastructure.....	1,016,628	93,992	(1,331)	1,109,289
Intangible assets.....	107,461	1,827	-	109,288
Total capital assets, being depreciated.....	6,329,793	688,628	(56,101)	6,962,320
Less accumulated depreciation for:				
Facilities and improvements.....	1,205,139	116,681	(61)	1,321,759
Machinery and equipment.....	406,113	38,339	(54,667)	389,785
Infrastructure.....	241,223	44,746	(10)	285,959
Intangible assets.....	17,424	5,995	-	23,419
Total accumulated depreciation.....	1,869,899	205,761	(54,738)	2,020,922
Total capital assets, being depreciated, net.....	4,459,894	482,867	(1,363)	4,941,398
Governmental activities capital assets, net.....	\$ 5,803,025	\$ 914,970	\$ (562,931)	\$ 6,155,064
Business-Type Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 269,158	\$ 291	\$ (11,646)	\$ 257,803
Intangible assets.....	12,043	-	-	12,043
Construction in progress.....	5,449,248 ⁽²⁾	2,956,422	(2,554,363)	5,851,307
Total capital assets, not being depreciated.....	5,730,449	2,956,713	(2,566,009)	6,121,153
Capital assets, being depreciated:				
Facilities and improvements.....	17,015,498	1,864,716	(29,557)	18,850,657
Machinery and equipment.....	2,965,848	638,041 ⁽³⁾	(150,832)	3,453,057
Infrastructure.....	1,500,314	69,481	-	1,569,795
Property held under lease.....	697	-	-	697
Intangible assets.....	207,921	3,710	(16,518) ⁽³⁾	195,113
Total capital assets, being depreciated.....	21,690,278	2,575,948	(196,907)	24,069,319
Less accumulated depreciation for:				
Facilities and improvements.....	6,487,440	463,098	(16,671)	6,933,867
Machinery and equipment.....	1,621,829	205,803	(129,700) ⁽⁵⁾	1,697,932
Infrastructure.....	670,230	43,426 ⁽⁴⁾	-	713,656
Property held under lease.....	697	-	-	697
Intangible assets.....	169,955	8,249 ⁽⁴⁾	(23,530) ⁽⁵⁾	154,674
Total accumulated depreciation.....	8,950,151	720,576	(169,901)	9,500,826
Total capital assets, being depreciated, net.....	12,740,127	1,855,372	(27,006)	14,568,493
Business-type activities capital assets, net.....	\$ 18,470,576	\$ 4,812,085	\$ (2,593,015)	\$ 20,689,646

- (1) The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.
(2) See Note 2(t) to the basic financial statements.
(3) Includes \$13,723 reclassification in capital assets, being depreciated.
(4) Includes \$1,228 accumulated depreciation reclassification.
(5) Includes \$20,735 accumulated depreciation reclassification.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public protection.....	\$ 26,002
Public works transportation and commerce.....	49,092
Human welfare and neighborhood development.....	654
Community Health.....	39,391
Culture and recreation.....	53,218
General administration and finance.....	34,545
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis.....	<u>2,859</u>
Total depreciation expense - governmental activities.....	<u>\$ 205,761</u>
Business-type activities:	
Airport.....	\$ 268,789
Water.....	120,815
Power.....	19,864
Transportation.....	189,436
Hospitals.....	37,031
Wastewater.....	60,033
Port.....	<u>24,608</u>
Total depreciation expense - business-type activities.....	<u>\$ 720,576</u>

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 \$4.91 billion as of June 30, 2019. 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, 2019. 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, 2019.

During the year ended June 30, 2019, the City's enterprise funds incurred total interest expense and interest income of approximately \$627.0 million and \$182.7 million, respectively. Of these amounts, net interest expense of approximately \$155.7 million was capitalized. The Airport had write-offs and loss on disposal in the amount of \$15.3 million primarily due to disposal. The Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed \$1.3 million, \$6.1 million, and \$8.4 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Component Unit

Capital asset activity of the component unit for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Treasure Island Development Authority:				
Capital assets, not being depreciated:				
Land.....	\$ 27,481	\$ 6,863	\$ -	\$ 34,344
Construction in progress.....	-	502	-	502
Total capital assets, not being depreciated.....	27,481	7,365	-	34,846
Capital assets, being depreciated:				
Machinery and equipment.....	36	-	-	36
Total capital assets, being depreciated.....	36	-	-	36
Less accumulated depreciation for:				
Machinery and equipment.....	16	8	-	24
Total accumulated depreciation.....	16	8	-	24
Total capital assets, being depreciated, net.....	20	(8)	-	12
Component unit capital assets, net.....	<u>\$ 27,501</u>	<u>\$ 7,357</u>	<u>\$ -</u>	<u>\$ 34,858</u>

During the year ended June 30, 2019, the Navy transferred approximately 11 acres of land to TIDA as part of the overall Treasure Island Development Project. Construction began in late 2018, with the complete buildout of the project occurring over fifteen to twenty years. For additional information, refer to Note 15.

(8) BONDS, LOANS, CAPITAL LEASES AND OTHER PAYABLES

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2019, are as follows:

Type of Obligation	July 1, 2018	Additional Obligation	Current Maturities	June 30, 2019
Governmental activities:				
Commercial paper				
Multiple Capital Projects.....	\$ 18,868	\$ 179,891	\$ (183,980)	\$ 14,779
Direct placement revolving certificates of participation				
Transbay Transit Center Project.....	103,000	-	(25,000)	78,000
Governmental activities short-term obligations...	<u>\$ 121,868</u>	<u>\$ 179,891</u>	<u>\$ (208,980)</u>	<u>\$ 92,779</u>
Business-type activities:				
Commercial paper				
San Francisco General Hospital.....	\$ 17,640	\$ 1,086	\$ (3,251)	\$ 15,475
San Francisco International Airport.....	29,410	406,110	(431,945)	3,575
San Francisco Water Enterprise.....	40,312	161,336	(40,312)	161,336
Hetch Hetchy Water and Power.....	20,280	50,724	(20,280)	50,724
San Francisco Wastewater Enterprise.....	262,859	291,498	(262,859)	291,498
Business-type activities short-term obligations...	<u>\$ 370,501</u>	<u>\$ 910,754</u>	<u>\$ (758,647)</u>	<u>\$ 522,608</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

City and County of San Francisco Commercial Paper Program

The City launched its commercial paper (CP) program to pay for project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles (Resolution No. 85-09). Pursuant to Resolution No. 85-09 approved in March 2009, the Board of Supervisors established a \$150.0 million commercial paper program. Pursuant to Resolution 247-13, the authorization of the commercial paper program was increased from \$150.0 million to \$250.0 million. The City currently has revolving credit agreements (RCA) and letters of credit (LOC) supporting the \$250.0 million program.

CP is an alternative form of short-term (or interim) financing for certain capital projects, vehicles and equipment, that permits the City to pay project costs as project expenditures are incurred. The CP has a fixed maturity date from one to 270 days and in the City's general practice, matures between 30 to 90 days. On the maturity date of a CP note, the note may be rolled (or refinanced) with the re-issuance of CP notes for additional periods of up to 270 days until the CP is refunded with the issuance of long-term obligations.

The City issues CP in series based on the bank providing the applicable credit facility that are divided into subseries according to tax status. The City's CP program has three credit facilities, two RCAs issued by State Street Bank and Trust Company (State Street Bank) and U.S. Bank N.A., which supports the issuance of Commercial Paper Certificates of Participation Series 1&2 ("Series 1&2"), and a Letter of Credit Agreement (LOC) issued by State Street Bank, which supports the issuance of Commercial Paper Certificates of Participation Series 3 ("Series 3"). The Series 1&2 State Street and U.S. Bank N.A. RCAs have fees of 0.45% and 0.45% on the total commitment amounts, respectively, and are scheduled to expire in May 2021. The Series 3 State Street LOC has a fee of 0.50% through February 25, 2019 and an amended fee of 0.38% beginning February 26, 2019.

In December 2018, the City closed the First Amendment to its Commercial Paper Letter of Credit Reimbursement Agreement with State Street Bank, supporting Series 3, in the maximum principal amount not to exceed \$100.0 million. The amendment stipulates a quarterly fee of 0.38% for the credit facility agreement, corresponding to the maintenance of a rating at least Aa3/AA-/AA- from Moody's, S&P and Fitch, respectively, and extended the terms of the agreement from February 2019 until February 2022.

In fiscal year 2019, the City issued \$179.9 million and retired \$184.0 million of CP, excluding CP issued for San Francisco General Hospital, to provide interim financing for various approved capital projects including the acquisition, construction and improvement of an animal care and control facility; the development of the 49 South Van Ness office building; and the development, acquisition, construction or rehabilitation of affordable rental housing projects. As of June 30, 2019, the outstanding principal of taxable and tax-exempt CP of governmental activities was \$14.5 million and \$0.3 million, respectively, with interest rates ranging from 2.20% to 2.72% and 1.33% to 1.85%, respectively over the term of fiscal year 2019.

Events of default, under the Letter of Credit and Reimbursement Agreement, include: (i) failure by the City to pay any Reimbursement Obligation to the Bank; (ii) failure to perform certain covenants, including the failure to make rental payments under the Sublease, which is an agreement by which the City is obligated to make annual rental payments to a trustee by leasing back city-owned property from the trustee; (iii) failure to make payment on any other Material Debt; (iv) City files for bankruptcy; (v) City is downgraded below investment grade; (vi) City sustains unsatisfied judgment of \$25.0 million or more. Upon the occurrence of an event of default under the Letter of Credit and Reimbursement Agreement, the Credit Bank may terminate the Letter of Credit. Any outstanding Commercial Paper Certificates would be payable from proceeds of a Final Draw. If not repaid when due, drawings under the respective RCA supporting the CP notes are amortized up to a five-year period.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Transbay Transit Center Interim Financing

In April 2001, the City, the Alameda-Contra Costa Transit District, and the Peninsula Corridor Joint Powers Board executed a Joint Powers Agreement which created and established the Transbay Joint Powers Authority (TJPA). The TJPA has primary jurisdiction with respect to all matters concerning the financing, design, development, construction, and operation of the Salesforce Transit Center (formerly called the Transbay Transit Center). In order to address a temporary cash flow shortfall during the phase one construction of the Transbay Transit Center, the City, in partnership with the Metropolitan Transportation Commission (MTC), approved in May 2016 a short-term financing with the TJPA in an amount not to exceed \$260.0 million. Of the \$260.0 million financing, in partnership with the MTC, the City entered into a Certificate Purchase Agreement (CPA) with the Bay Area Toll Authority (BATA) to establish a credit facility in an amount not to exceed \$100.0 million, which was never drawn and expired December 31, 2018. The City also entered into a CPA with Wells Fargo to establish a credit facility in an amount not to exceed \$160.0 million with a floating rate based on the London Interbank Offered Rate (LIBOR) plus a spread of 0.56% for taxable certificates. The floating interest rate for the facility resets monthly. Under the CPA with Wells Fargo, the City has issued short-term variable rate notes at times and in amounts necessary to meet construction funding needs for phase one of the project. In February 2019, the TJPA paid off \$25.0 million of the short-term debt with funds received from the Community Facilities District No. 2014-1. As of June 30, 2019, the City has recorded a receivable in the amount of \$78.0 million from the TJPA along with a loan payable from Wells Fargo related to this financing activity. The short-term notes are expected to be repaid from long-term debt payable from Community Facilities District special taxes and/or tax increment. Pursuant to the sublease, the City leases back the leased property from Trustee. The City makes annual base rental payments to Trustee in amounts required to pay debt service on the Certificates.

Events of default under the sublease include (i) the failure by the City to pay Base Rental payments under the sublease when due; and (ii) the failure to observe covenants under the sublease. Remedies by the lender, consist of the right to sue for payments as and when payments become due. There is no right to evict or relet premises and no recourse to TJPA or Pledged Revenues.

San Francisco General Hospital

In July 2014, the Board of Supervisors authorized the execution and delivery of tax-exempt and/or taxable CP in an aggregate principal amount not to exceed \$41.0 million to finance the costs of acquisition of furniture, fixtures, and equipment for the new San Francisco General Hospital. As of June 2019, the outstanding principal amount of CP (tax-exempt) was \$15.5 million with interest rates ranging from 1.33% to 1.85% over the term of fiscal year 2019. The Commercial Paper Certificates are secured by base rental payments made by the City under a sublease between the City and the Trustee. Base rental payments are payable from the City's general fund resources.

Events of default, under the Letter of Credit and Reimbursement Agreement, include: (i) failure by the City to pay any Reimbursement Obligation to the Bank; (ii) failure to perform certain covenants, including the failure to make rental payments under the Sublease, which is an agreement by which the City is obligated to make annual rental payments to a trustee by leasing back city-owned property from the trustee; (iii) failure make payment on any other Material Debt; (iv) City files for bankruptcy; (v) City is downgraded below investment grade; (vi) City sustains unsatisfied judgment of \$25.0 million or more. Upon the occurrence of an event of default under the Letter of Credit and Reimbursement Agreement, the Credit Bank may terminate the Letter of Credit. Any outstanding Commercial Paper Certificates would be payable from proceeds of a Final Draw. If not repaid when due, drawings under the respective LOC supporting the CP notes are amortized up to a five-year period.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, as amended and supplemented (the "Note Resolution"), authorizing the issuance of subordinate CP notes in an aggregate principal amount not to exceed the lesser of \$400.0 million or the stated amount of the letter(s) of credit (LOC) securing the CP. In November 2016, the Airport adopted Resolution No. 16-0275 which amended the Note Resolution to increase the authorized maximum amount by \$100.0 million, from \$400.0 million to \$500.0 million.

The Airport issues CP in series based on tax status that are divided into subseries according to the bank providing the applicable direct-pay LOC. In addition to the applicable LOC, the CP notes are further secured by a pledge of the Net Revenues of the Airport, subject to the prior payment of the 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 1991 Master Bond Resolution).

Net Revenues are generally defined in the Note Resolution as all revenues earned by the Airport from or with respect to its construction, possession, management, supervision, maintenance, extension, operation, use and control of the Airport (not including certain amounts specified in the Note Resolution), less operation and maintenance expenses (as defined in the Note Resolution).

The CP notes are special, limited obligations of the Airport, and the payment of the principal of and interest on the CP notes is secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts as provided in the Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on a parity with any other bonds or other obligations from time to time outstanding under the Note Resolution.

Events of default for the CP notes include nonpayment events, bankruptcy events, noncompliance with covenants, and default under the 1991 Master Bond Resolution. The CP notes are not subject to acceleration.

Events of default with respect to the letters of credit supporting the CP notes include nonpayment events (both on CP notes and Senior Bonds), bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1997 Note Resolution, or a determination of taxability of interest on the tax-exempt CP notes. A downgrade of the Airport's Senior Bonds to below "Baa1" by Moody's or "BBB+" by S&P or Fitch is an event of termination with respect to all of the LOC supporting the CP notes. In addition, the State Street Bank and Trust LOC supporting \$100.0 million of CP notes includes certain changes in law affecting the Airport's payment obligations to the bank as events of termination. Remedies include the LOC bank's ability to stop issuance of the CP notes it supports and to require a final drawing on the LOC. If not repaid when due, drawings under the respective LOC supporting the CP notes are amortized over a three-, four- or five-year period.

As of June 30, 2019, the CP program was supported by three \$100.0 million principal amount direct-pay letters of credit issued by State Street Bank and Trust Company, Sumitomo Mitsui Banking Corporation, and U.S. Bank National Association, which, as of June 30, 2019, had expiration dates of May 2, 2024, June 21, 2022, and November 15, 2023, respectively; and a fourth letter of credit issued by Royal Bank of Canada, acting through a branch located at 200 Vesey Street, New York, New York, in the principal amount of \$200.0 million and having an expiration date of May 1, 2020. Each of the LOC supports separate subseries of CP. In the aggregate, the LOC permit the Airport to issue CP up to a combined maximum principal amount of \$500.0 million as of June 30, 2019.

As of June 30, 2019, there were no obligations other than the CP notes outstanding under the 1997 Note Resolution.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

During fiscal year 2019, the Airport issued new money CP notes in the aggregate principal amount of \$307.4 million (AMT), \$41.3 million (Non-AMT), and \$57.5 million (Taxable) to fund capital improvement projects and costs of issuance related to the debt program. As of June 30, 2019, the interest rates on AMT and Non-AMT CP were 1.25% to 1.79%, and 1.22% to 1.76%, 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. As of June 30, 2019, the amount outstanding under Proposition E was \$161.3 million. CP interest rates ranged from 0.8% to 2.8%. With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the near-to-medium term, at which time outstanding CP will likely be refunded with revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the CP interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the CP with long-term, fixed rate debt. The Water Enterprise had \$338.7 million in unused authorization as of June 30, 2019.

Events of default as specified in the Reimbursement Agreements, or Revolving Credit Agreement include payment defaults; material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods); and bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and /or termination of the respective agreement. As of June 30, 2019, there were no such events described therein.

Hetch Hetchy Water and Power

Effective March 2019, under Charter Sections 9.107(6) and 9.107(8), the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to \$250.0 million in CP for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities of Hetchy Power. Interest rates for the CP ranged from 1.3% to 1.7% in fiscal year 2019. The Hetch Hetchy Water and Power had \$50.7 million CP outstanding as of June 30, 2019. The Hetch Hetchy Water and Power had \$199.3 million in unused authorization as of June 30, 2019.

Events of default as specified in the Reimbursement Agreements, include non-payment, material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements; and bankruptcy, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and /or termination of the respective agreement. As of June 30, 2019, there were no such events described therein.

San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to \$750.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Enterprise had \$291.5 million CP outstanding as June 30, 2019. The Wastewater Enterprise had \$458.5 million in unused authorization as of June 30, 2019.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Significant events of default as specified in the Reimbursement Agreements, Revolving Credit and Term Loan Agreements or Revolving Credit Agreements include payment default, material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods); and bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and /or termination of the respective agreement. As of June 30, 2019, there were no such events described therein.

San Francisco Municipal Transportation Agency

In June 2013, pursuant to the City Charter Section 8A.102 (b) 13, the SFMTA Board of Directors authorized the issuance of CP in an aggregate principal amount not to exceed \$100.0 million. In July 2013, the Board of Supervisors concurred with the issuance. The CP is secured by an irrevocable LOC from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and interest rate not to exceed 12% per annum. In June 2018, the SFMTA substituted the 2013 State Street LOC with a new irrevocable LOC from Sumitomo Mitsui Banking Corporation (SMBC) in an aggregate principal amount not to exceed \$100.0 million for a term of five years. The LOC will cover the principal as well as the interest accrued on the 270 days prior to the maturity date. The CP program is jointly administered by the Office of Public Finance (OPF) and SFMTA. If needed, OPF initiates the issuance of CP with the dealers and ensures accurate reporting on the CP program. The CP could be issued from time to time on a revolving basis to pay for Board-approved project costs in the SFMTA Capital Improvement Program and other related uses. In consultation with OPF, SFMTA could request drawdowns based on cash flow needs and expenditures schedules.

Events of default under the LOC reimbursement agreement, include failure to pay the principal or interest on the bank note, any representation made by the SFMTA in the agreement has been incorrect in any materially adverse respect when made, failure to comply with certain covenants, either SFMTA or the City files for bankruptcy, default on any debt or judgement payment of a specified threshold, or reduction of debt rating assigned to senior lien revenue bonds below "Baa1" by Moody's or "BBB+" by S&P or Fitch. In an event of default, the bank may declare the principal and interest on all outstanding obligations to be due and payable immediately, terminate issuance of CP, or require the final drawing on the LOC in the amount equal to the principal amount outstanding plus interest.

SFMTA has no CP outstanding as of June 30, 2019.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2019:

GOVERNMENTAL ACTIVITIES

Type Of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS ^(a):			
Affordable housing.....	2038	2.00% - 3.95%	\$ 150,555
Earthquake safety and emergency response.....	2038	2.25% - 5.00%	543,265
Clean and safe neighborhood parks	2037	2.00% - 6.26%	195,115
Preservation and Seismic Safety (PASS) program	2058	2.534% - 4.321%	72,420
Public health and safety	2038	3.00% - 5.00%	153,295
Road repaving and street safety	2035	2.00% - 5.00%	153,660
San Francisco General Hospital.....	2033	3.25% - 6.26%	475,610
Seismic safety loan program	2031	3.36% - 5.69%	18,658
Transportation and road improvement	2037	2.75% - 5.00%	143,880
Refunding	2030	4.00% - 5.00%	387,030
General obligation bonds			<u>2,293,488</u>
LEASE REVENUE BONDS:			
San Francisco Finance Corporation ^{(b), (e) & (f)}	2030	1.37% - 5.00% *	127,045
SALES TAX REVENUE BONDS			
SFCTA revenue bonds ^(g)	2034	3.0% - 4.0%	248,250
CERTIFICATES OF PARTICIPATION:			
Certificates of participation ^{(c) & (d)}	2047	1.964% - 5.00%	885,295
OTHER LONG-TERM OBLIGATIONS:			
Loans ^{(d), (f) & (g)}	2045	2.00% - 4.5%	22,365
Lease Purchase - Public Safety Radio Replacement ^(d)	2027	1.6991%	26,154
Capital Lease ^(d)	2023	1.080%	948
Governmental activities total long-term obligations.....			<u>\$ 3,603,545</u>

* 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, 2019 for Series 2008 - 1 & 2 averaged to 1.370%.

Debt service payments are made from the following sources:

- (a) Property tax recorded in the Debt Service Fund.
- (b) Lease revenues from participating departments in the General, Special Revenue and Enterprise Funds.
- (c) Revenues recorded in the Special Revenue Funds.
- (d) Revenues recorded in the General Fund.
- (e) Hotel taxes and other revenues recorded in the General and Special Revenue Funds.
- (f) User-charge reimbursements from the General, Special Revenue and Enterprise Funds.
- (g) Sales tax revenues by the San Francisco County Transportation Authority.

Internal Service Funds serve primarily the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the above amounts.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds *.....	2058	1.72% - 6.00%*	\$ 7,300,825
San Francisco Water Enterprise:			
Revenue bonds	2051	0.87% - 6.95%	4,442,405
Certificates of participation	2042	2.00% - 6.49%	104,105
Accreted interest.....	2019	-	2,029
Hetch Hetchy Water and Power:			
Energy and revenue bonds	2046	4.00% - 5.00%	48,702
Certificates of participation.....	2042	2.00% - 6.49%	14,173
Municipal Transportation Agency:			
Revenue bonds.....	2047	3.00% - 5.00%	333,620
Loans.....	2047	3.30%	8,757
San Francisco General Hospital:			
Certificates of participation.....	2026	5.55%	12,612
San Francisco Wastewater Enterprise:			
Revenue bonds	2047	1.00% - 5.82%	1,510,385
Certificates of participation	2042	2.00% - 6.49%	27,527
Loans	2051	1.60% - 1.80%	88,032
Port of San Francisco:			
Revenue bonds	2044	3.0% - 7.408%	50,145
Certificates of participation.....	2043	4.75% - 5.25%	30,010
Loans	2037	4.50%	7,977
Laguna Honda Hospital:			
Certificates of participation	2031	4.50% - 5.25%	112,395
Business-type activities total long-term obligations ..			<u>\$ 14,093,699</u>

* Includes Second Series Revenue Bonds Issue 37C, 2010A and 2018B/C, which were issued as variable rate bonds in a weekly mode. For the year ended June 30, 2019, the average interest rates on Issue 37C and 2010A1,2,3 were 1.33%, 1.38%, 1.41% and 1.41%, respectively. For Issue 2018B and 2018C, the average interest rates were 1.29%, and 1.31%, respectively.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in the respective enterprise funds.

Debt Compliance

The City believes it's in compliance with all significant limitations and restrictions contained in the various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2019, the City's general obligation bond debt limit (3% of valuation subject to taxation) was \$7.76 billion. The total amount of debt applicable to the debt limit was \$2.49 billion. The resulting legal debt margin was \$5.27 billion.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(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 actual earnings from the investment of tax-exempt bond proceeds, which exceed related interest earnings if such investments were invested at a rate equal to the yield of the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each series of tax-exempt general obligation bonds, lease revenue bonds, and certificates of participation, and other direct loans issued by the City and the Finance Corporation. The City and the Finance Corporation do not have rebatable arbitrage liability as of June 30, 2019. Each enterprise fund has performed a similar analysis of its debt, which is subject to arbitrage rebate requirements and does not have rebatable arbitrage liability as of June 30, 2019.

Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency has issued various mortgage revenue bonds for the financing of multifamily rental housing and below-market rate mortgages for first time homebuyers and to facilitate affordable housing construction and rehabilitation in the City. These obligations were issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt. These bonds are secured by the related mortgage indebtedness and special assessment taxes and are not considered obligations of the City. As of June 30, 2019, the total obligation outstanding was \$2.16 billion.

Community Facilities District No. 2014-1 (Transbay Transit Center)

In November 2017, the City, on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (the "District") issued Special Tax Bonds, Series 2017A and Series 2017B (the "2017 Bonds") in the par amount of \$36.1 million and \$171.4 million, respectively, in order to facilitate the construction of the Salesforce Transit Center (formerly called the Transbay Transit Center) and adjacent infrastructure. The 2017 Bonds bear interest rates ranging from 1.50% to 4.00% with principal amortizing from September 2018 through September 2048.

In February 2019, the City issued the Special Tax Bonds, Series 2019A and Series 2019B (the "2019 Bonds") in the par amount of \$33.7 million and \$157.3 million, respectively, in order to facilitate the construction of the Salesforce Transit Center (formerly called the Transbay Transit Center) and adjacent infrastructure. The 2019 Bonds bear interest rates ranging from 2.63% to 4.37% with principal amortizing from September 2019 through September 2049.

The 2017 and 2019 Bonds are secured under the provisions of the CFD No. 2014-1 Fiscal Agent Agreement (the "Agreement") and will be payable solely from Special Tax Revenues and funds pledged under the Agreement. These bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on the 2017 and 2019 Bonds.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2019, are as follows:

	July 1, 2018	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2019	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 2,480,034	\$ 72,420	\$ (258,966)	\$ 2,293,488	\$ 139,571
Lease revenue bonds	171,150	48,305	(92,410)	127,045	5,770
Sales tax revenue bonds	248,250	-	-	248,250	12,920
Certificates of participation	924,405	-	(39,110)	885,295	30,835
Subtotal	3,823,839	120,725	(390,486)	3,554,078	189,096
Issuance premiums / discounts:					
Add: unamortized premiums	297,143	6,968	(23,462)	280,649	-
Less: unamortized discounts	(132)	-	132	-	-
Total bonds payable, net	4,120,850	127,693	(413,816)	3,834,727	189,096
Loans	47,462	-	(25,097)	22,365	953
Capital leases	30,654	-	(3,552)	27,102	3,611
Accrued vacation and sick leave pay	164,652	133,745	(128,428)	169,969	98,666
Accrued workers' compensation	255,298	82,390	(56,220)	281,468	51,733
Estimated claims payable	274,680	7,420	(47,715)	234,385	87,006
Governmental activities long-term obligations	<u>\$ 4,893,596</u>	<u>\$ 351,248</u>	<u>\$ (674,828)</u>	<u>\$ 4,570,016</u>	<u>\$ 431,065</u>

	July 1, 2018	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2019	Amounts Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 12,091,370	\$ 2,357,710	\$ (811,700)	\$ 13,637,380	\$ 356,195
Clean renewable energy bonds	51,182	-	(2,480)	48,702	2,528
Certificates of participation	313,869	-	(13,047)	300,822	13,700
Subtotal	12,456,421	2,357,710	(827,227)	13,986,904	372,423
Issuance premiums / discounts:					
Add: unamortized premiums	1,056,737	285,000	(88,043)	1,253,694	-
Less: unamortized discounts	(673)	-	45	(628)	-
Total bonds payable, net	13,512,485	2,642,710	(915,225)	15,239,970	372,423
Accreted interest payable	6,725	304	(5,000)	2,029	2,029
Notes, loans, and other payables	30,078	76,256	(1,568)	104,766	1,810
Accrued vacation and sick leave pay	113,688	60,417	(59,093)	115,012	68,412
Accrued workers' compensation	208,264	62,326	(43,700)	226,890	39,274
Estimated claims payable	110,331	21,188	(22,403)	109,116	48,686
Business-type activities long-term obligations	<u>\$ 13,981,571</u>	<u>\$ 2,863,201</u>	<u>\$ (1,046,989)</u>	<u>\$ 15,797,783</u>	<u>\$ 532,634</u>

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. Also, for the governmental activities, claims and judgments, workers compensation and compensated absences are generally liquidated by the General Fund.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2019 for governmental and business-type activities are as follows:

Governmental Activities ⁽¹⁾								
Fiscal Year	General Obligation		Lease Revenue		Other Long-Term		Total	
Ending	Bonds		Bonds		Obligations			
June 30	Principal	Interest ⁽²⁾	Principal	Interest ⁽³⁾	Principal	Interest	Principal	Interest
2020.....	\$ 139,571	\$ 97,183	\$ 5,770	\$ 3,808	\$ 48,319	\$ 47,180	\$ 193,660	\$ 148,171
2021.....	137,850	90,516	12,145	3,524	49,727	45,279	199,722	139,319
2022.....	144,594	84,184	12,790	3,149	49,347	43,326	206,731	130,659
2023.....	149,075	77,456	13,255	2,749	50,958	41,382	213,288	121,587
2024.....	152,517	70,331	14,455	2,332	52,526	39,387	219,498	112,050
2025-2029...	786,979	246,087	59,085	5,545	275,292	162,730	1,121,356	414,362
2030-2034...	574,847	94,886	9,545	161	321,009	102,258	905,401	197,305
2035-2039...	159,855	22,189	-	-	186,102	51,950	345,957	74,139
2040-2044...	9,345	9,398	-	-	136,416	15,170	145,761	24,568
2045-2049...	11,385	7,351	-	-	13,316	721	24,701	8,072
2050-2054...	13,965	4,779	-	-	-	-	13,965	4,779
2055-2058...	13,505	1,490	-	-	-	-	13,505	1,490
Total.....	\$ 2,293,488	\$ 805,850	\$ 127,045	\$ 21,268	\$ 1,183,012	\$ 549,383	\$ 3,603,545	\$ 1,376,501

Business-Type Activities ⁽¹⁾								
Fiscal Year	Revenue Bonds ^{(4) (5)}		Certificates		Other Long-Term		Total	
Ending			of Participation ⁽⁵⁾		Obligations			
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020.....	\$ 358,723	\$ 660,833	\$ 13,700	\$ 16,958	\$ 1,810	\$ 1,373	\$ 374,233	\$ 679,164
2021.....	373,974	644,425	14,399	16,262	2,837	2,113	391,210	662,800
2022.....	384,070	626,855	15,128	15,531	3,031	2,126	402,229	644,512
2023.....	406,863	608,399	15,907	14,759	3,101	2,055	425,871	625,213
2024.....	399,942	590,526	15,953	13,916	3,172	1,984	419,067	606,426
2025-2029...	2,181,475	2,644,843	83,331	56,159	17,012	8,678	2,281,818	2,709,680
2030-2034...	1,786,765	2,151,038	61,050	33,423	17,868	6,665	1,865,683	2,191,126
2035-2039...	2,256,975	1,669,266	46,425	18,475	18,005	4,734	2,321,405	1,692,475
2040-2044...	2,840,060	1,031,276	34,929	3,670	19,017	2,836	2,894,006	1,037,782
2045-2049...	2,514,820	399,227	-	-	16,903	1,035	2,531,723	400,262
2050-2054...	118,525	20,715	-	-	2,010	39	120,535	20,754
2055-2059...	63,890	5,290	-	-	-	-	63,890	5,290
Total.....	\$ 13,686,082	\$ 11,052,693	\$ 300,822	\$ 189,153	\$ 104,766	\$ 33,638	\$ 14,091,670	\$ 11,275,484

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) The interest is before the federal subsidy for the General Obligation Bonds Series 2010C and Series 2010D. The subsidy is approximately \$22.2 million and \$4.5 million, respectively, through the year ending 2030. The federal sequester reduction was 6.2% in fiscal year 2019 and will be 5.9% in fiscal year 2020. 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 1.37%, together with liquidity fee of 0.350% and remarketing fee of 0.0725% were used to project the interest rate payment in this table.

(4) Debt service for the Airport is per debt service requirement. In the event the letters of credit securing the Airport's outstanding variable rate bonds had to be withdrawn upon to pay such bonds and the amount drawn had to be repaid by the Airport pursuant to the terms of the related agreement with banks providing such letters of credit, the total interest would be \$309.0 million less.

(5) The interest is before the federal subsidy for the San Francisco Water, San Francisco Wastewater and Hetch Hetchy Water and Power. Federal subsidies were reduced by 5.9% or a total reduction of \$25.4 million, \$3.5 million and \$0.3 million, respectively, over the life of the bonds, assuming the sequestration rate will remain the same.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Governmental Activities Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the year ended June 30, 2019 are as follows:

Authorized and unissued as of June 30, 2018.....	\$ 741,985
Increase in authorization in this fiscal year:	
Embarcadero Seawall Earthquake Safety Bonds	425,000
Subtotal	\$ 1,166,985
Bonds issued:	
Series 2019A Social Bonds - Affordable Housing	(72,420)
Net authorized and unissued as of June 30, 2019	<u>\$ 1,094,565</u>

The increase in the authorized and unissued amount over the last year reflect the \$425.0 million of 2018 Embarcadero Seawall Earthquake Safety General Obligation Bonds (Proposition A) approved by at least two-thirds of voters at an election held on November 6, 2018. The bonds will be used to finance projects to protect the waterfront, BART and MUNI infrastructure, buildings, historic piers, and roads from earthquakes, flooding and sea level rise. Projects include repairing the 100-year old Embarcadero Seawall, strengthening the Embarcadero roadway, and fortifying transit infrastructure and utilities serving residents and businesses.

In February 2019, the City issued the City and County of San Francisco Taxable General Obligation Bonds (Social Bonds-Affordable Housing, 2016) Series 2019A (the "Series 2019A") in the amount of \$72.4 million. The Series 2019A bonds bear interest rates ranging from 2.53% to 4.32% with principal amortizing from June 2020 to June 2058. The proceeds of the Series 2019A bonds will be used to (i) fund loans that finance the cost of acquisition, improvement and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to permanent affordable housing and (ii) to pay certain costs related to the issuance of the Series 2019A bonds.

The General Obligation Bonds debt service payments are funded through ad valorem taxes on property. The City is obligated to levy ad valorem taxes without limitation as to rate or amount on all real property subject to taxation (except in certain limited circumstances) for the payment of general obligation bonds. No City property is pledged to the repayment of general obligation bonds nor is the City required to maintain a reserve fund for the payment of principal and interest.

An event of default is the non-payment of interest or principal, when due. Remedies include mandamus action for payment. General Obligation Bonds are not subject to acceleration.

Certificates of Participation

As of June 30, 2019, the City had a total of \$885.3 million of certificates of participation, excluding business-type activities, payable by pledged revenues from the base rental payments payable by the City. A Reserve Fund is established for payment of certain COPs, and is typically established at the IRS threshold of the lesser of maximum annual lease payment, 125% of average annual lease payments or 10% of the original principal amount of COP. The total lease payment requirement on the

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

certificates of participation is \$1.34 billion payable through April 1, 2047. For the year ended June 30, 2019, principal and interest paid by the City totaled \$39.1 million and \$38.9 million, respectively.

An event of default on every outstanding series of Certificates of Participation, include: (i) the failure to make lease payments when due; or (ii) failure to observe covenants under the respective Project Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Project Lease, including reletting the leased property for the account of the City, or hold the Project Lease and sue each year for rent. Certificates of Participation are not subject to acceleration.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2019 were as follows:

Governmental Activities - Lease Revenue Bonds

Authorized and unissued as of June 30, 2018.....	\$ 187,934
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program.....	3,734
Current year maturities in Finance Corporation's equipment program.....	890
Net authorized and unissued as of June 30, 2019.....	<u>\$ 192,558</u>

Finance Corporation

The purpose of the Finance Corporation is to provide a means to publicly finance, through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes.

The Finance Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment, which are in turn leased to the City under the terms of an Indenture and Equipment Lease Agreement. These assets are then recorded in the basic financial statements of the City. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amount that is not applied towards the acquisition or construction of real and personal property such as unapplied acquisition fund, bond issuance costs, funds withheld pursuant to a reserve fund requirement, and amounts designated for capitalized interest are recorded as unearned revenues in the internal service fund until such time it is used for its intended purpose. The unearned amounts are eliminated in the Governmental Activities Statement of Net Position.

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to their respective 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 lease payment requirement remaining on the lease revenue bonds is \$148.3 million payable through June 2030. For the year ended June 30, 2019, principal and interest paid by the Finance Corporation in the form of lease payments by the City totaled \$25.7 million and \$4.0 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, 2019, all of the previously

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

issued equipment lease revenue bonds have been repaid. \$78.4 million of unused authorization is still available for new issuance.

Refunding Lease Revenue Bonds Series 2018A - In August 2018, the City issued Refunding Lease Revenue Bonds Series 2018A (Open Space Fund – Various Park Projects) (the “Series 2018A Bonds”) in the amount of \$34.9 million to redeem the Corporation’s outstanding Lease Revenue Bonds, Series 2006 (Open Space fund – Various Park Projects) and Lease Revenue Bonds, Series 2007 (Open Space Fund – Various Park Projects) and to pay costs associated with the issuance of the Series 2018A Bonds. The Series 2018A Bonds bear an interest rate of 5.00% with principal amortizing from July 2019 to July 2029. The refunding resulted in deferred accounting gain of \$0.4 million, lease payment savings of \$6.3 million and net present value savings of \$4.5 million or 11.04% on the refunded Series 2006 and 2007 Bonds.

Refunding Lease Revenue Bonds Series 2018B - In August 2018, the City issued Refunding Lease Revenue Bonds Series 2018B (Branch Library Improvement Program) (the “Series 2018B Bonds”) in the amount of \$13.4 million to redeem the Corporation’s outstanding Lease Revenue Bonds, Series 2009A (Branch Library Improvement Program) and to pay costs associated with the issuance of the Series 2018B Bonds. The Series 2018B Bonds bear interest rates of 4.00% and 5.00% with principal amortizing from June 2019 to June 2028. The refunding resulted in deferred accounting loss of \$0.1 million, lease payment savings of \$22.9 million and net present value savings of \$6.6 million or 25.43% on the refunded Series 2009A Bonds.

Events of Default and Remedies

Moscone Lease Revenue Refunding Bonds, Series 2008-1 and 2008-2 - Events of default as specified in the Indenture include: (i) failure to pay when due the amounts of any drawing, the principal or interest on any Liquidity Advance, or otherwise failure to pay the Credit Bank when due; (ii) failure to observe any covenant or warranty under Credit Agreement; (iii) default on any appropriation debt; (iv) filing for bankruptcy; and (v) downgrade of the City’s rating below “BBB” of which could cause acceleration of mandatory tender of bonds. Upon the occurrence of an event of default, remedies include the termination of Letters of Credit terminates on stated termination date; on last payment of bonds; upon payment of bonds from mandatory tender due to substitute credit facility; or conversion of bonds to mode other than daily or weekly. The bonds are subject to mandatory tender.

Emergency Communications System Lease Revenue Refunding Bonds, Series 2010-R1 - Events of default as specified in the Master Trust Agreement include: (i) failure to make lease payments when due; or (ii) failure to observe covenants under the Master Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Master Lease, including the right to terminate the Master Lease, enter the leased property, and, remove all persons and property, reletting leased property for account of the City for public purpose, or hold the Master Lease and sue each year for rent. The bonds are not subject to acceleration.

Open Space Fund Lease Revenue Refunding Bonds, Series 2018A and Branch Library Improvement Program Lease Revenue Refunding Bonds, Series 2018B - Events of default as specified in the Project Lease include: (i) failure to make lease payments when due; or (ii) failure to observe covenants under the Project Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Project Lease, including reletting property for account of the City, or enforce rights under lease and sue each year for rent. The bonds are not subject to acceleration.

San Francisco County Transportation Authority Long-Term Debt

In November 2017, the San Francisco County Transportation Authority (SFCTA) issued Senior Sales Tax Revenue Bonds, Series 2017 (the “Series 2017 Bonds”) with a par value of \$248.3 million to finance the cost of construction, acquisition and improvement of certain transit, street and traffic facilities and

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

other transportation projects, repay a portion of the then-outstanding amount under a revolving credit agreement, pay capitalized interest on a portion of the Series 2017 Bonds and pay cost of issuance of the Series 2017 Bonds. The Series 2017 bonds bear interest rates ranging from 3.0% to 4.0% and have final maturity date of February 1, 2034. Outstanding principal at June 30, 2019 is \$248.3 million. The Series 2017 Bonds are payable from, and secured by a pledge of, the SFCTA's sales tax revenues. Debt service payments of \$8.4 million as a ratio of pledged sales tax revenues of \$115.7 million for the year ended June 30, 2019, resulted in debt service coverage of 13.75x or 1,375%. Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants. The Series 2017 Bonds are not subject to acceleration.

In June 2018, the SFCTA entered into a Revolving Credit (Loan) Agreement with State Street Public Lending Corporation and US Bank National Association for a total amount of \$140.0 million with a rate of interest equal to the sum of 80% of 1-month LIBOR plus a fixed credit spread (subject to adjustment if the SFCTA's credit rating changes). This agreement replaced a prior revolving credit agreement. In fiscal year 2019, the rate of interest paid by the SFCTA under the Revolving Credit Agreement ranged from 2.07% to 2.28%. The Revolving Credit Agreement expires on June 7, 2021 and is secured by a lien on the SFCTA's sales tax revenues subordinate to the lien on the sales tax revenues securing the SFCTA's Series 2017 Bonds. If specified conditions are met, the repayment period for loans under the Revolving Credit Agreement may extend five years after June 7, 2021. As of June 30, 2019, the SFCTA has no outstanding balance under the Revolving Credit Agreement but can borrow up to \$140.0 million under the agreement at any time. The SFCTA paid \$0.4 million for interest and commitment fees in fiscal year 2018-19.

Events of default under the Revolving Credit Agreement include nonpayment events, noncompliance with covenants, default on other specified debt, bankruptcy events, specified litigation events, or a ratings downgrade below Baa2 by Fitch, BBB by Moody's or BBB by S&P. Remedies include acceleration (subject in some, but not all, circumstances to a 270-day notice period) and the termination of the right of the SFCTA to borrow under the Revolving Credit Agreement.

Events of Default and Remedies - Other Long-Term Obligations

Marina West Harbor Loans - Events of default include the failure to make loan payments within 30 days of the due date, or failure to observe or comply with requirements under the Agreement within 180 days of receipt of written notice. Remedies by the Department of Boating and Waterways of the State of California are the repossession of the project area and declaring that the loan is due and payable, and the exercise of all other rights and remedies available by law. The Marina West Harbor Loan is subject to an acceleration provision.

Small Business Revolving Loan Funds - Events of default include (i) termination of small business program; (ii) non-permitted use of loan funds; and (iii) bankruptcy event. Remedies by lender include repossession of the right, title, and interest in the loan proceeds account, as well as any outstanding loans made from the Loan Fund. The loan is subject to acceleration provision.

IBM Credit LLC - Events of default include the failure to make lease payments when due, or failure to observe covenants under the Project Lease. Remedies of the lender are repossessing the leased equipment, entering premises to take possession, or enforce rights under Lease, and other remedies available by law. The IBM credit has no acceleration provision.

Public Safety Radio Lease Financing - Events of default include the failure to make lease payments when due, or failure to observe covenants under the Lease Purchase Financing Agreement. Remedies of the lender are repossessing the leased equipment, enforcing rights under the Lease, and other remedies available by law. The Public Safety Radio Lease Financing has no acceleration provision.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Business-Type Activities Long-Term Liabilities

The following provides a brief description of the current year additions to the long-term debt of the business-type activities.

San Francisco International Airport

Second Series Revenue Bonds (Capital Plan Bonds)

Pursuant to resolutions adopted between fiscal years 2008 and 2019, the Airport has authorized the issuance of up to \$7.8 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes (CP) issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of June 30, 2019, \$2.4 billion of the authorized capital plan bonds remained unissued.

Second Series Revenue Bonds, Series 2019A/B/C

In February 2019, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2019A (AMT), Series 2019B (Non-AMT/Governmental Purpose), and Series 2019C (Taxable) in aggregate principal amount of \$1.4 billion to finance and refinance (through repayment of commercial paper notes) a portion of the costs of the following projects, among others: (a) redevelopment of Terminal 1, (b) redevelopment of Terminal 3 West, (c) renovation of the International Terminal departures level, (d) gate capacity enhancements, (e) security improvements, (f) the Superbay renovation program, (g) extension of AirTrain service to the long-term parking garages, (h) a new long-term parking garage, to fund deposits to debt service reserve accounts and the Contingency Account, to fund deposits to capitalized interest accounts, and to pay costs of issuance. The net proceeds of the Series 2019A and Series 2019B and the Series 2019C Bonds issued as capital plan bonds (consisting of \$1.4 billion par amount and net original issue premium of \$137.4 million), were used to deposit \$891.5 million to project accounts, \$431.9 million to refund CP, \$20.0 million to the Airport's contingency account, \$18.7 million to the Original Reserve Account, and \$3.7 million to the 2017 Reserve Account, and to pay costs of issuance.

Second Series Revenue Refunding Bonds

Pursuant to resolutions adopted between fiscal years 2005 and 2018, the Airport has authorized the issuance of up to \$11.1 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding subordinate commercial paper notes, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. As of June 30, 2019, \$2.9 billion of the authorized refunding bonds remained authorized but unissued.

During fiscal year 2019, the Airport issued the following new refunding bonds under the 1991 Master Bond Resolution:

Second Series Revenue Bonds, Series 2019C and Second Series Revenue Refunding Bonds, Series 2019D

In February 2019, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2019C (Taxable), and Second Series Revenue Refunding Bonds, Series 2019D (Non-AMT), in the aggregate principal amount of \$410.9 million, to refund \$469.4 million of its Series 2009E Bonds, to fund deposits to debt service reserve accounts, and to pay costs of issuance. The net proceeds of the Series 2019C and 2019D Bonds (consisting of \$410.9 million par amount and original issue premium of \$78.6 million), together with \$8.7 million accumulated in the debt service fund relating to the refunded bonds were

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

used to deposit \$17.4 million into the 2017 Reserve Account and \$479.8 million into irrevocable escrow funds with the Senior Trustee to refund \$469.4 million in revenue bonds as described below.

	<u>Amount refunded</u>	<u>Interest rate</u>	<u>Redemption price</u>
Second Series Revenue Bonds Issue:			
Series 2009E (Non-AMT/Private Activity)	\$ 469,400	4.38 - 6.00%	100%
Total	<u>\$ 469,400</u>		

The refunded bonds were redeemed on May 2019. In aggregate, the Series 2019C/D refundings resulted in the recognition of a deferred accounting loss of \$1.2 million for the year ended June 30, 2019. In aggregate, the Series 2019C/D refundings decreased the Airport's aggregate gross debt service payments by approximately \$97.5 million over the next twenty years and obtained an economic gain (the difference between the present values of the old debt and the new debt) of \$105.6 million.

Variable Rate Demand Bonds

As of June 30, 2019, the Airport had an outstanding aggregate principal amount of \$559.7 million of Second Series Variable Rate Revenue Refunding Bonds, consisting of Issue 37C and Series 2010A, and Second Series Variable Rate Revenue Bonds, consisting of Series 2018B and Series 2018C, (collectively, the "Variable Rate Bonds") with final maturity dates of May 1, 2029 (Issue 37C), May 1, 2030 (Series 2010A), and May 1, 2058 (Series 2018B and 2018C). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days' notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport. The scheduled payment of the principal of and interest on, and payment of purchase price of, the Variable Rate Bonds is secured by separate irrevocable letters of credit issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the table below. Amounts drawn under a LOC that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Bond Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the letters of credit range between 0.39% and 0.63% per annum. As of June 30, 2019, there were no unreimbursed draws under these facilities.

In December 2018, the termination date of the MUFG Union Bank, N.A. LOC supporting the Issue 37C Bonds was extended by one year, to January 27, 2020. The LOC securing the Variable Rate Bonds included in long-term debt as of June 30, 2019, are as follows:

	<u>Issue 37C</u>	<u>Series 2010A</u>	<u>Series 2018B</u>	<u>Series 2018C</u>
Principal amount	\$ 82,500	\$ 200,885	\$ 138,170	\$ 138,170
Expiration date	January 27, 2020	June 29, 2020	June 3, 2022	June 3, 2022
Credit provider	MUFG Union Bank N.A. ⁽¹⁾	Bank of America ⁽²⁾	Barclays ⁽³⁾	SMBC ⁽⁴⁾

(1) Formerly Union Bank, N.A.

(2) Bank of America, National Association

(3) Barclays Bank PLC

(4) Sumitomo Mitsui Banking Corporation, acting through its New York branch

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Hotel Special Facility Bonds

Pursuant to resolutions adopted in fiscal years 2017, 2018 and 2019, the Airport authorized the issuance of \$260.0 million of Special Facility Bonds to finance an on-Airport hotel. These resolutions also designated the on-Airport hotel as a "Special Facility" under the 1991 Master Bond Resolution, which allows the hotel revenues to be segregated from the Airport's other revenues and used to pay hotel operating expenses and debt service on the Hotel Special Facility Bonds through the Hotel Special Facility Bond trustee. In June 2018, the Airport issued its fixed rate Special Facility Revenue Bonds (San Francisco International Airport Hotel), Series 2018 (the "Hotel Special Facility Bonds"), in the aggregate principal amount of \$260.0 million to finance the on-Airport hotel and to fund a capitalized interest account. The Hotel Special Facility Bonds bear interest at a fixed rate of 3.0% per annum, mature in 2058, and are subject to mandatory sinking fund redemption each year starting in 2022.

The Hotel Special Facility Bonds were issued pursuant to a Trust Agreement (the "Hotel Trust Agreement"). The maximum principal amount of such bonds is not limited by the Hotel Trust Agreement, but the Airport must satisfy an additional bonds test prior to the issuance of any such bonds.

The Hotel Special Facility Bonds are limited obligations of the Airport. Under the Hotel Trust Agreement, the Airport has pledged the Revenues of the on-Airport hotel, together with other assets, to the payment of the principal of and interest on the Hotel Special Facility Bonds. Revenues are generally defined in the Hotel Trust Agreement as all revenue and income of any kind derived directly or indirectly from operations at the on-Airport hotel (not including certain amounts specified in the Hotel Trust Agreement). Operating expenses of the on-Airport hotel are payable prior to payment of principal of and interest on the Hotel Special Facility Bonds. The Airport does not maintain a reserve account for the Hotel Special Facility Bonds. The Hotel Special Facility Bonds are subject to acceleration upon the occurrence of an event of default. Events of default include nonpayment events, bankruptcy events, noncompliance with covenants, condemnation of the hotel, or a failure by the Airport to maintain a third-party manager for the hotel. The Hotel Special Facility Bonds are not payable from or secured by the Airport's Net Revenues (as defined under the 1991 Master Bond Resolution). However, because the Airport is the owner of the on-Airport hotel, the Airport is obligated to repay the Hotel Special Facility Bonds from the net revenues of the hotel. As of June 30, 2019, the Airport had \$260.0 million of outstanding Hotel Special Facility Bonds.

Interest Rate Swaps

As of June 30, 2019, the Airport's derivative instruments are comprised of three 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 continued to be effective as of June 30, 2019.

No.	Current bonds	Initial notional amount	Notional amount June 30, 2019	Effective date
1	2010A (37B)*	\$ 79,684	\$ 73,137	5/15/2008
2	37C	89,856	82,473	5/15/2008
3	2010A**	143,947	134,660	2/1/2010
	Total	<u>\$ 313,487</u>	<u>\$ 290,270</u>	

* 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 2010A-1 and 2010A-2.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

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 72, the settlement amounts are then adjusted for the nonperformance risk of each party to the swap to arrive at the fair value. For each swap, the nonperformance risk was computed as the total cost of the transactions required to hedge the default exposure, i.e., a series of European swaptions, exercisable on each of the future payment exchange dates under the swap that are structured to reverse the remaining future cash flow obligations as of such dates, adjusted by probability of default on each future date. Default probabilities were derived from recovery rate adjusted credit default swap quotes or generic ratings based borrowing curves that fall into Level 2 of the GASB 72 fair value hierarchy.

As of June 30, 2019, the fair value of the Airport's three outstanding swaps, counterparty credit ratings, and fixed rate payable by the Airport are shown in the following table. Where a swap is guaranteed, the guarantor ratings are shown. The ratings provided are S&P's Long-Term Local Issuer Credit Rating, Moody's Long-Term Counterparty Rating for Merrill Lynch Derivative Products AG, Moody's Long-Term Senior Unsecured Rating for J.P. Morgan Chase Bank N.A. and Goldman Sachs Group, Inc., and Fitch's Long-Term Issuer Default Rating.

No.	Current bonds	Counterparty/guarantor*	Counterparty credit ratings (S/M/F)	Fixed rate payable by Airport	Fair value to Airport
1	2010A (37B)**	Merrill Lynch Capital Services, Inc./ Merrill Lynch Derivative Products AG	AA/Aa3/NR*	3.773%	\$ (10,819)
2	Issue 37C	JP Morgan Chase Bank, NA	A+/Aa2/AA	3.898%	(12,523)
3	2010A***	Goldman Sachs Bank USA/ Goldman Sachs Group, Inc.	BBB+/A3/A*	3.925%	(22,743)
		Total			<u>\$ (46,085)</u>

* 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 Bonds are held in trust. The swap is now indirectly hedging the Series 2010A-3 Bonds for accounting purposes.

*** Hedges Series 2010A-1 and 2010A-2.

In October 2018, Moody's upgraded the credit rating on J.P. Morgan Chase Bank, N.A., the swap counterparty on the swap associated with the Issue 37C Bonds, from "Aa3" to "Aa2".

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Fair Value Hierarchy

	Fair Value June 30, 2019	Fair value measurements using significant other observable inputs (Level 2)
Interest rate swaps	\$ (46,085)	\$ (46,085)

Change in Fair Value

The impact of the interest rate swaps on the financial statements for the year ended June 30, 2019 is as follows:

	Deferred outflows on derivative instruments	Derivative instruments
Balance as of June 30, 2018	\$ 29,245	\$ 37,558
Change in fair value to year-end	9,583	8,527
Balance as of June 30, 2019	<u>\$ 38,828</u>	<u>\$ 46,085</u>

The fair value of the interest rate swap portfolio is recorded as a liability (since the Airport would owe a termination payment to the counterparty) in the statement of net position. Unless a swap was determined to be an off-market swap at the inception of its hedging relationship, the fair value of the swap is recorded as a deferred outflow asset (if a termination payment would be due to the counterparty) or inflow liability (if a termination payment would be due to the Airport). 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, 2019.

Basis Risk – During the year ended June 30, 2019, the Airport paid a total of \$1.4 million less in interest on its variable rate bonds than the floating-rate payments it received from the swap counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

Credit Risk – As of June 30, 2019, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport.

Counterparty Risk – As of June 30, 2019, 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).

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Termination Risk – 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, which are rated as to their claims-paying ability and financial strength as follows as of June 30, 2019:

No.	Swap	Swap Insurer	Insurer Credit ratings
			June 30, 2019 (S&P/Moody's/Fitch)
1	Series 2010A (37B)	Assured Guaranty Municipal Corp.	AA/A2/NR
2	Issue 37C	Assured Guaranty Municipal Corp.	AA/A2/NR
3	Series 2010A	None	N/A

As of June 30, 2019, the fair value of each swap was negative to the Airport as shown above.

Debt Service Reserves

Issue 1 Reserve Account - As of June 30, 2019, the reserve requirement for the Issue 1 Reserve Account was \$448.8 million, which was satisfied by \$452.2 million of cash and investment securities, and reserve fund surety policies in the initial principal amount of \$132.7 million. All of the providers of such reserve policies have one or more credit ratings below the Airport's rating or are no longer rated. In addition, \$75.8 million of such surety policies have likely experienced a reduction in value in accordance with their terms.

2009 Reserve Account - As of June 30, 2019, the reserve requirement for the 2009 Reserve Account was \$5.1 million, which was satisfied by \$20.2 million in cash and investment securities.

2017 Reserve Account - As of June 30, 2019, the reserve requirement for the 2017 Reserve Account was \$49.7 million, which was satisfied by \$52.6 million in cash and investment securities.

Series Secured by Other or No Reserve Accounts - The Airport Commission does not maintain reserve accounts for its Second Series Variable Rate Revenue Refunding Bonds, Series 2010A and Series 2018B/C, all of which are secured by letters of credit.

Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants, including the rate covenants described below. The bonds are not subject to acceleration.

Payment of principal, and interest and purchase price of bonds that bear interest at variable interest rates are supported by letters of credit. Events of default with respect to the letters of credit supporting the bonds include nonpayment events, bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1991 Master Bond Resolution, or a determination of taxability of interest on tax-exempt bonds supported by the letter of credit. A downgrade of the Airport's Senior Bonds to below "Baa1" or "BBB+" or withdrawal or suspension of a bond rating for credit-related reasons by any rating agency is an event of termination under the letters of credit supporting the bonds. Remedies include the letter of credit bank's ability to cause a mandatory tender of the supported bonds or to accelerate amounts due and payable to the bank; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Masters Bond Resolution. If there are default events pending, drawings under the respective letters of credit supporting the bonds are amortized over a three-, four-, or five-year period; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Water Enterprise

Events of Default and Remedies

Revenue Bonds, Capital Appreciation Bonds and State Revolving Fund Loans - Events of default as specified in the Water Enterprise Indenture, include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which could cause the Trustee to declare that the principal and accrued interest thereon and all capital appreciation bonds then outstanding in its accreted value thereof, to be due and payable immediately. As of June 30, 2019, there were no such events described herein.

Hetch Hetchy Water and Power

Events of Default and Remedies

Clean Renewable Energy Bonds - Significant events of default as specified in the Equipment Lease/Purchase Agreement, include payment defaults, material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods), and bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded by the proceeds of this debt obligation are pledged as collateral. As of June 30, 2019, there were no such events described herein.

Qualified Energy Conservation Bonds - Significant events of default as specified in the Equipment Lease/Purchase Agreement, include payment defaults, material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods), and bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded by the proceeds of this debt obligation are pledged as collateral. As of June 30, 2019, there were no such events described herein.

Power Revenue Bonds - Significant events of default as specified in the Power Enterprise Indenture (applicable to Power Revenue Bonds) include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners by aggregate amount of the bond obligations), declare the principal and the interest accrued thereon to be due and payable immediately. As of June 30, 2019, there were no such events described herein.

San Francisco Municipal Transportation Agency

Events of Default and Remedies

Revenue Bonds – Events of default under the indenture of trust include failure to pay the principal amount and any installment of interest, failure to pay the purchase price of any bond tendered for optional or mandatory purchase, failure to comply with certain covenants, or either the SFMTA or the City files for bankruptcy. In an event of default, the trustee may declare the principal amount of all the bonds outstanding and interest accrued thereon to be due and payable immediately. In case any proceeding taken by the trustee on account of an event of default is discontinued, the SFMTA, trustee, and bondholders shall be restored to their former positions and rights as if no such proceeding had been taken.

Portsmouth Plaza Parking Corporation Loan – In an event of default under the loan agreement, any outstanding amounts become immediately due if the garage is unable to make payment and fails to comply with the debt service coverage ratio of 1.25:1 for each fiscal year.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Wastewater Enterprise

Wastewater Revenue Bonds 2018 Series A, B and C

In August 2018, the Wastewater Enterprise issued revenue bonds 2018 Series A (SSIP) (Green Bonds) in the amount of \$229.0 million with interest rates ranging from 4.0% to 5.0%. Proceeds of the bonds were used for Wastewater capital projects in furtherance of the SFPUC's Sewer System Improvement Program ("SSIP"), to pay off \$25.0 million of outstanding commercial paper notes, to fund capitalized interest, and pay the cost of issuing the bonds. The bonds mature through October 2043.

In August 2018, the Wastewater Enterprise issued revenue bonds 2018 Series B (Non-SSIP) in the amount of \$186.0 million with 5.0% interest rate. Proceeds of the bonds were used for Wastewater capital projects, to fund capitalized interest, and pay the cost of issuing the bonds. The bonds mature through October 2043.

In August 2018, the Wastewater Enterprise issued revenue bonds 2018 Series C (SSIP) (Green Bonds) in the amount of \$179.1 million with 2.1% interest rate. Proceeds of the bonds were used for Wastewater capital projects, to fund capitalized interest, and pay the cost of issuing the bonds. The bonds mature through October 2048.

Lake Merced Green Infrastructure Project CWSRF Loan

In January 2016, then amended in May 2016, the San Francisco Public Utilities Commission (SFPUC) entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan to fund the Lake Merced Green Infrastructure Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$7.4 million. The loan bears an interest rate of 1.6% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected by July 2020. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling \$4.9 million. As of June 30, 2019, the principal amount outstanding of the loan was \$4.9 million.

Southeast Plant (SEP) 521/522 and Disinfection Upgrade Project CWSRF Loan

In September 2017, then amended in December 2017 and May 2018, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan to fund the SEP 521/522 and Disinfection Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$40.0 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected by July 2019. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has submitted requests for loan disbursements to date totaling \$37.7 million. As of June 30, 2019, the principal amount outstanding on the loan was \$37.7 million.

North Point Facility Outfall Rehabilitation Project CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan to fund the North Point Facility Outfall Rehabilitation Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$20.2 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in February 2018. The CWSRF loans is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling \$17.7 million. As of June 30, 2019, the principal amount outstanding of the loan was \$17.1 million.

SEP Primary/Secondary Clarifier Upgrade Project CWSRF Loan

In September 2017 the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan to fund the SEP Primary/Secondary Clarifier Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$34.4 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in June 2018. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling \$29.2 million. As of June 30, 2019, the principal amount outstanding of the loan was \$28.4 million.

Events of Default and Remedies

Wastewater Revenue Bonds, SRF Loans, and WIFIA Loan - Events of default as specified in the Wastewater Enterprise Indenture include non-payment, material breach of warranty, representation, or indenture covenants which are not cured within applicable grace periods, and bankruptcy and insolvency events. The trustee, upon written request, by majority of the owners (by aggregate amount of the bond obligations or of a credit provider), shall declare the principal and interest accrued thereon, to be due and payable immediately. As of June 30, 2019, there were no such events described herein.

Port of San Francisco

In May 2019, the Port assumed the operations and corresponding balances of the South Beach Harbor (the SBH) from the Office of Community Investment and Infrastructure (OCII), including three loans provided by Cal Boating, which totaled \$6.1 million and accrues interest at a rate of 4.5% per annum. Total principal and interest remaining to be paid on the loans are \$8.8 million. The loan is secured by net revenues as defined in the loan agreement. Annual principal and interest payments were \$536 in 2019 and pledged net revenues were \$2.1 million for the year ended June 30, 2019. Cal Boating may take possession of the operations if after ninety days written notice, the Port remains in breach of any of the provisions of Small Craft Harbor loans and operation contract. Cal Boating shall operate or maintain the operations for the account of the Port until the loan is repaid in full.

Also, in conjunction with the receipt of SBH loans, the Port designated SBH as a Special Facility and the Cal Boating Loans as Special Facility Bonds as provided under the Port's Revenue Bond Master Trust Indenture. Pursuant to Section 2.14 of the Revenue Bond Master Trust Indenture, the Port Commission is authorized to designate an existing or planned facility, structure, equipment or other property, real or personal property that is located within the Port Area as a Special Facility. The Port Commission may designate revenue earned by the Port from or with respect to a Special Facility as "Special Facility Revenue". Special Facility Revenue is not included in revenue as defined in the Revenue Bond Master Trust Indenture, and, consequently, is not included in the net revenues that are pledged as security for the Revenue Bonds under the Revenue Bond Master Trust Indenture.

Events of Default and Remedies

Revenue Bonds - The revenue bonds contain an acceleration provision that in an event of default, the trustee may, upon written request from the credit provider or holders of not less than fifty-one percent

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

of the aggregate principal amount then outstanding, by written notice to the Port, shall declare the principal amount of all bonds outstanding and the interest accrued becomes due and payable immediately.

Certificates of Participation – In an event of default, the trustee may enforce all of its rights and remedies under the project lease, including the right to recover base rental payments as they become due under the project lease by pursuing any remedy available in law or in equity, other than by terminating the project lease or re-entering and reletting the leased property, or except as expressly provided in the project lease.

Loan Agreement with the California Division of Boating and Waterways – The loan contains a provision that in an event the Port fails, in whole or in part, to make any payment due under the Fisherman's Wharf loan contract, then such a deficiency shall be added to and become part of the principal of the loan and a provision that if any annual loan installment made by the Port is less than the amount required under the contract, then such payment shall first be applied to reduce any accrued unpaid interest due on the loan while any remaining part of the payment shall be used to reduce the principal of the loan.

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

General Information About the Pension Plans – The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension plan (SFERS Plan), which covers substantially all of the employees of the City and County of San Francisco, and certain classified and certificated employees of the San Francisco Community College and Unified School Districts, and San Francisco Trial Court employees other than judges. The San Francisco City and County Charter and the Administrative Code are the authority which establishes and amends the benefit provisions and employer obligations of the SFERS Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the SFERS Plan. That report may be obtained on the Retirement System's website at <http://mysfers.org> or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

Replacement Benefits Plan – The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Trust. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415(b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

In addition, some City employees are eligible to participate in the Public Employees' Retirement Fund (PERF) of the California Public Employees' Retirement System (CalPERS) Safety Plan, an agent multi-employer pension plan, or the CalPERS Miscellaneous Rate Plan, included in CalPERS public agency cost-sharing multiple-employer pension plan. Some employees of the Transportation Authority, a blended component unit, and the Successor Agency, a fiduciary component unit, are eligible to participate in a CalPERS Miscellaneous Rate Plan or a CalPERS Public Employees' Pension Reform Act (PEPRA) Miscellaneous Rate Plan, both rate plans are included in CalPERS public agency cost-sharing multiple-employer pension plan. In addition, some employees of the Treasure Island Development Authority, a discretely presented component unit, are eligible to participate in the

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

CalPERS Miscellaneous Rate Plan included in CalPERS public agency cost-sharing multiple-employer pension plan.

CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute, employer contract with CalPERS and by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits

SFERS – The SFERS Plan provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The SFERS Plan also provides pension continuation benefits to qualified survivors. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City. The four main categories of SFERS Plan members are:

- Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's Department, and miscellaneous safety employees hired on and after January 7, 2012.
- Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are summarized as follows:

Miscellaneous Non-Safety Members who became members prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Miscellaneous Non-Safety Members who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Miscellaneous Non-Safety Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 53 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

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 members' qualified surviving spouses and qualified domestic partners are eligible to apply for death benefits prior to or after member's retirement.

Death benefit prior to retirement generally, upon death of the active member who is eligible for a service retirement, qualified surviving spouse and qualified domestic partner receives continuation benefits equal to 50% to 100% of the member's retirement allowance that the member would have received had he or she retired on the date of death. The qualified surviving spouses and qualified domestic partners of Safety members who die prior to becoming eligible for service retirement and whose death is due to an injury received in or illness caused by the performance of duty, salary continuation is provided to the qualified survivor until such time as the member would have qualified for service retirement had he or she lived at which time a continuation benefit equal to 100% of the member's service retirement allowance is provided to the qualified survivor. A lump sum death payment equal to 6 months' earnable

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

salary plus the member's accumulated contributions is provided upon the death of an active employee not yet eligible for a service retirement to the member's named beneficiary or estate.

Death benefit after retirement generally, upon the death of a retired member, the retirement system provides continuation benefits to a qualified surviving spouse or qualified domestic partner equal to 50% to 100% of the member's retirement allowance as of the date of death.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2%. The SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provisions of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012, members who retired before November 6, 1996 will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the "full funding" requirement does not apply to members who retired on or after November 6, 1996 and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even when an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

CalPERS – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on a final compensation, which is the highest average pay rate and special compensation during any consecutive one-year or three-year period. The cost of living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California PEPR, 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 "PEPR" members.

The CalPERS' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	City Miscellaneous Plan		City Safety Plan	
	Prior to January 1, 2013	On or after January 1, 2013*	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 60		2% @ 50, 2% @ 55 or 3% @ 55	2% @ 57 or 2.7% @ 57
Benefit vesting schedule	5 years of service		5 years of service	5 years of service
Benefit payments	Monthly for life		Monthly for life	Monthly for life
Required employee contribution rates	5.00%		7.00% to 9.00%	10.75% to 13.00%
Required employer contribution rates	10.81%		20.97%	20.97%

* 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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

	Transportation Authority Miscellaneous Plan		Successor Agency Miscellaneous Plan	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Required employee contribution rates	7.00%	6.25%	7.00%	6.50%
Required employer contribution rates	9.41%	6.84%	10.41%	7.38%

At June 30, 2019, the CalPERS' City Safety Plan had a total of 2,289 members who were covered by these benefits, which includes 1,093 inactive employees or beneficiaries currently receiving benefits, 306 inactive employees entitled to but not yet receiving benefits, and 890 active employees.

Contributions

For the year ended June 30, 2019, the City's actuarial determined contributions were as follows:

SFERS Plan.....	\$ 607,408
City CalPERS Miscellaneous Plan.....	28
City CalPERS Safety Plan.....	34,933
Transportation Authority CalPERS Classic & PEPR Miscellaneou Plans.....	479
Successor Agency CalPERS Classic & PEPR Miscellaneou Plans.....	1,637
Treasure Island Development Authority CalPERS Miscellaneou Plan.....	7
Total.....	<u>\$ 644,492</u>

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 2019 varied from 7.5% to 13.0% as a percentage of gross covered salary. For the year ended June 30, 2018, 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, 2017 actuarial report, the required employer contribution rates for fiscal year 2019 were 18.81% to 23.31%.

CalPERS – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the PERF is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

Replacement Benefits Plan – The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid \$2.4 million replacement benefits in the year ended June 30, 2019.

Pension liabilities are financed by governmental funds and enterprise funds that are responsible for the charges.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Net Pension Liability

The table below shows how the net pension liability (NPL) as of June 30, 2019 is distributed.

Governmental activities.....	\$ 2,656,465
Business-type activities.....	1,772,650
Fiduciary funds.....	27,178
Component Unit - Treasure Island Development Authority....	28
Total.....	<u>\$ 4,456,321</u>

As of June 30, 2019, the City's NPL is comprised of the following:

	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan.....	94.1042%	\$ 4,030,207
City CalPERS Miscellaneous Plan.....	-0.1573%	(15,154)
City CalPERS Safety Plan.....	N/A	319,740
Transportation Authority CalPERS Classic & PEPRAs Miscellaneous Plans.....	0.0215%	2,069
Successor Agency CalPERS Classic & PEPRAs Miscellaneous Plans.....	0.2820%	27,178
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	0.0003%	28
Replacement Benefits Plan.....	N/A	92,253
Total.....		<u>\$ 4,456,321</u>

The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The City's NPL for each of its cost-sharing plans is measured as of June 30, 2018, 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, 2017, rolled forward to June 30, 2018, 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, 2018 and 2017 were as follows:

	June 30, 2018 (Measurement Date)		June 30, 2017 (Measurement Date)	
	Proportionate Share	Share of Net Pension Liability (Asset)	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan.....	94.1042%	\$ 4,030,207	94.0674%	\$ 4,697,131
City CalPERS Miscellaneous Plan.....	-0.1573%	(15,154)	-0.1388%	(13,766)
Transportation Authority CalPERS Classic & PEPRAs Miscellaneous Plans....	0.0215%	2,069	0.0216%	2,142
Successor Agency Classic & PEPRAs CalPERS Miscellaneous Plans.....	0.2820%	27,178	0.2751%	27,280
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	0.0003%	28	0.0003%	28
Total.....		<u>\$ 4,044,328</u>		<u>\$ 4,712,815</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

The City's NPL for the CalPERS City Safety Plan (agent plan) is measured as the total pension liability, less the CalPERS Safety Plan's fiduciary net position. The change in the NPL for the City CalPERS Safety Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2017 (MD).....	\$ 1,320,856	\$ 1,017,528	\$ 303,328
Change in year:			
Service cost.....	34,006	-	34,006
Interest on the total pension liability.....	94,305	-	94,305
Changes of assumptions.....	2,492	-	2,492
Differences between expected and actual experience.....	6,909	-	6,909
Plan to plan resource movement.....	-	(3)	3
Contributions from the employer.....	-	31,189	(31,189)
Contributions from employees.....	-	9,359	(9,359)
Net investment income.....	-	85,351	(85,351)
Benefit payments, including refunds of employee contributions.....	(56,625)	(56,625)	-
Administrative expense.....	-	(1,585)	1,585
Other miscellaneous income/(expense).....	-	(3,011)	3,011
Net changes during measurement period.....	81,087	64,675	16,412
Balance at June 30, 2018 (MD)	<u>\$ 1,401,943</u>	<u>\$ 1,082,203</u>	<u>\$ 319,740</u>

The City's pension liability for the Replacement Benefits Plan is measured as the total pension liability as there are no assets in a plan. The change in the total pension liability for the City Replacement Benefits Plan is as follows:

	Increase (Decrease)
	Total Pension Liability
Balance at June 30, 2017 (MD).....	\$ 84,295
Change in year:	
Service cost.....	1,298
Interest.....	2,998
Differences between expected and actual experience.....	564
Assumption changes.....	5,540
Benefit payments, including refunds of employee contributions.....	(2,442)
Net changes during measurement period.....	7,958
Balance at June 30, 2018 (MD).....	<u>\$ 92,253</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City recognized pension expense including amortization of deferred outflows/inflows related to pension items as follows:

	Primary Government			Component Unit	Total
	Governmental Activities	Business-type Activities	Fiduciary Funds	Treasure Island Development Authority	
SFERS Plan.....	\$ 296,582	\$ 191,673	\$ -	\$ -	\$ 488,255
City CalPERS Miscellaneous Plan.....	(2,723)	-	-	-	(2,723)
City CalPERS Safety Plan.....	59,995	-	-	-	59,995
Transportation Authority CalPERS Classic & PEPRAMiscellaneous Plans.....	581	-	-	-	581
Successor Agency CalPERS Classic & PEPRAMiscellaneous Plans.....	-	-	776	-	776
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	-	-	-	9	9
Replacement Benefits Plan.....	6,386	-	-	-	6,386
Total pension expense.....	<u>\$ 360,821</u>	<u>\$ 191,673</u>	<u>\$ 776</u>	<u>\$ 9</u>	<u>\$ 553,279</u>

At June 30, 2019, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SFERS Plan		CalPERS Miscellaneous Plans		City CalPERS Safety Plan		Replacement Benefits Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date.....	\$ 607,408	\$ -	\$ 2,151	\$ -	\$ 34,933	\$ -	\$ -	\$ -	\$ 644,492	\$ -
Change in assumptions.....	628,390	-	3,760	2,546	35,047	1,392	9,038	6,174	676,235	10,112
Difference between expected and actual experience.....	32,699	114,064	1,320	963	4,918	7,371	9,646	-	48,583	122,398
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions.....	5,730	3,836	4,155	5,619	-	-	-	-	9,885	9,455
Net differences between projected and actual earnings on plan investments.....	-	647,802	145	75	2,057	-	-	-	2,202	647,877
Total.....	<u>\$ 1,274,227</u>	<u>\$ 765,702</u>	<u>\$ 11,531</u>	<u>\$ 9,203</u>	<u>\$ 76,955</u>	<u>\$ 8,763</u>	<u>\$ 18,684</u>	<u>\$ 6,174</u>	<u>\$ 1,381,397</u>	<u>\$ 789,842</u>

At June 30, 2019, the City reported \$644.5 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	SFERS Plan	CalPERS Miscellaneous Plans	City CalPERS Safety Plan	Replacement Benefits Plan	Total
2020.....	\$ 257,217	\$ 155	\$ 30,298	\$ 4,531	\$ 292,201
2021.....	113,109	190	15,838	4,531	133,668
2022.....	(331,456)	(39)	(10,174)	2,228	(339,441)
2023.....	(137,754)	(128)	(2,703)	1,220	(139,365)
Total	<u>\$ (98,884)</u>	<u>\$ 178</u>	<u>\$ 33,259</u>	<u>\$ 12,510</u>	<u>\$ (52,937)</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2018 is provided below, including any assumptions that differ from those used in the July 1, 2017 actuarial valuation.

	SFERS Plan Actuarial Assumptions	CalPERS Miscellaneous and Safety Plans
Valuation date.....	June 30, 2017 updated to June 30, 2018	June 30, 2017
Measurement date.....	June 30, 2018	June 30, 2018
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	7.15%, net of pension plan investment expenses
Municipal bond yield.....	3.58% as of June 30, 2017 3.87% as of June 30, 2018 Bond Buyer 20-Bond GO Index, June 29, 2017 and June 28, 2018	
Inflation.....	3.00%	Miscellaneous Plan: 2.5% and Safety Plan: 2.75%
Projected salary increases.....	3.50% plus merit component based on employee classification and years of service	Varies by Entry Age and Service
Discount rate.....	7.50% as of June 30, 2018	7.15% as of June 30, 2018
Basic COLA.....	Old Miscellaneous and All New Plans..... 2.00% Old Police and Fire: Pre 7/1/75 Retirements..... 2.50% Chapters A8.595 and A8.596..... 3.10% Chapters A8.559 and A8.585..... 4.20%	Miscellaneous Contract COLA up to 2.50% until Purchasing Protection Allowance Floor on Purchasing Power applies. Safety standard COLA 2.0%

Mortality rates for active members and healthy annuitants were based upon adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

The actuarial assumptions used in the SFERS at the June 30, 2018 measurement date were based upon the results of an experience study for the period July 1, 2009 through June 30, 2014 and an economic experience study as of July 1, 2017.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. All other actuarial assumptions used in the CalPERS June 30, 2017 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The CalPERS discount was 7.15% as of the June 30, 2018 measurement date.

For the Replacement Benefits Plan beginning of the year measurement is also based on the census data used in the actuarial valuation as of July 1, 2017.

Discount Rates

SFERS – The discount rate used to measure SFERS's total pension liability as of June 30, 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan members and employers contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2017 actuarial valuation.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining Unfunded Actuarial Liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. For the July 1, 2016 valuation, the increase in the Unfunded Actuarial Liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.50% each year. The Unfunded Actuarial Liability is based on an Actuarial Value of Assets that smooths investment gains and losses over five years and a measurement of the Actuarial Liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of the Actuarial Liability in the valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the Actuarial Value of Assets. For members who did not work after November 6, 1996 and before Proposition C passed, the Market Value of Assets must also exceed the Actuarial Liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System, the Retirement System developed an assumption as of June 30, 2018, of the probability and amount of Supplemental COLA for each future year. We have assumed that a full Supplemental COLA will be paid to all Post 97 Retirees effective July 1, 2018.

The table below shows the net assumed Supplemental COLAs for members with a 2.00% basic COLA for sample years.

**Assumed Supplemental COLA
for Members with a 2.00% Basic COLA**

Year Ending June 30	96 - Prop C	Before 11/6/96 or After Prop C
2019	0.75%	0.00%
2022	0.75%	0.29%
2025	0.75%	0.35%
2028	0.75%	0.36%
2031+	0.75%	0.38%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2097 when only a portion of the projected benefit payments are expected to be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.87% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2018 is 7.50%.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(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 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	31.0%	5.4%
Treasuries	6.0%	0.5%
Liquid Credit	3.0%	3.3%
Private Credit	10.0%	4.6%
Private Equity	18.0%	6.6%
Real Assets	17.0%	4.5%
Hedge Funds/Absolute Return	15.0%	3.7%

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Rate Plans and the Safety Plan total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class⁽¹⁾	Target Allocation	Real Return Years 1 - 10⁽²⁾	Real Return Years 11+⁽³⁾
Global equity	50.00%	4.80%	5.98%
Global fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

⁽¹⁾ In the CalPERS Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

⁽²⁾ An expected inflation of 2.00% used for this period.

⁽³⁾ An expected inflation of 2.92% used for this period.

Replacement Benefits Plan – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 3.58% as of June 30, 2017 and 3.87% as of June 30, 2018. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 29, 2017 and June 28, 2018. These are the rates used to determine the total pension liability as of June 30, 2017 and June 30, 2018.

The inflation assumption of 3.00% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of \$220 for 2018 was used for the 2018 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

At June 30, 2019, the membership in the RBP had a total of 396 active members and 81 retirees and beneficiaries currently receiving benefits.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the NPL for each of the City's cost-sharing retirement plans, calculated using the discount rate, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Cost-Sharing Pension Plans	1% Decrease Share of NPL @ 6.50%	Current Share of NPL @ 7.50%	1% Increase Share of NPL @ 8.50%
Proportionate Share of Net Pension Liability			
SFERS.....	\$ 7,548,159	\$ 4,030,207	\$ 1,121,159
	1% Decrease Share of NPL @ 6.15%	Current Share of NPL @ 7.15%	1% Increase Share of NPL @ 8.15%
City CalPERS Miscellaneous Plan.....	\$ (12,330)	\$ (15,154)	\$ (17,486)
Transportation Authority CalPERS Classic & PEPR Miscellaneous Plans.....	3,635	2,069	776
Successor Agency CalPERS Classic & PEPR Miscellaneous Plans.....	42,059	27,178	14,893
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	39	28	19

The following presents the NPL for the City's CalPERS Safety Plan (agent multiple-employer plan) and the total pension liability for the City's Replacement Benefits Plan, calculated using the discount rate, in effect as of the measurement date, as well as what the net/total pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Agent Pension Plan	1% Decrease @ 6.15%	Measurement Date @ 7.15%	1% Increase @ 8.15%
City CalPERS Safety Plan.....	\$ 510,475	\$ 319,740	\$ 162,391
	1% Decrease @ 2.87%	Measurement Date @ 3.87%	1% Increase @ 4.87%
Replacement Benefits Plan.....	\$ 110,408	\$ 92,253	\$ 78,020

Detailed information about the CalPERS Safety Plan's fiduciary net position is available in a separately issued CalPERS financial report, copies may be obtained from the CalPERS website at www.calpers.ca.gov.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

Health Service System

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately \$789.8 million in fiscal year 2019. The employers' contribution is mandated and

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

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 \$226.3 million to provide postemployment health care benefits for 28,859 retired participants, of which \$186.5 million related to City employees. The City's liability for postemployment health care benefits is enumerated below. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 300, San Francisco, CA 94103 or from the City's website.

(b) Postemployment Health Care Benefits

City (excluding the Transportation Authority and the Successor Agency)

The City maintains a defined benefit other postemployment benefits plan (the OPEB Plan). The OPEB Plan provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

San Francisco Health Service System OPEB Plan

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

The City prefunds its OPEB obligations through the Retiree Health Care Trust Fund (RHCTF) that allows participating employers to prefund certain postemployment benefits other than pensions for their covered employees. The RHCTF is an agent multiple-employer trust fund and has two participating employers: (i) the City and County of San Francisco and (ii) the San Francisco Community College District. The RHCTF is administered by the City and is presented as an other postemployment benefit trust fund herein. The RHCTF's administrator, the City and County of San Francisco's Retirement System (SFERS), issues a publicly available financial report consisting of financial statements and required supplementary information for the RHCTF in aggregate. The report may be obtained by writing to SFERS, 1145 Market Street, 5th Floor, San Francisco, CA 94103.

Former employees of the City and County of San Francisco who were members of the Health Service System and who retire under SFERS or CalPERS are eligible for postretirement health benefits from the City and County of San Francisco. Effective with Proposition B, passed June 3, 2008, employees hired on or after January 10, 2009 must retire within 180 days of separation in order to be eligible for retiree healthcare benefits from the City. The eligibility requirements are as follows:

City and County of San Francisco's Retirement System (SFERS)

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service ¹
		Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement ²	Any age with 10 years of credited service	
Terminated Vested	5 years of credited service at separation	

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

California Public Employees' Retirement System (CalPERS)

Normal Retirement	Age 50 with 20 years of credited service ³
Disabled Retirement ²	Any age with 5 years of credited service
Terminated Vested	5 years of credited service at separation

¹ Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012.

² No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those killed in the line of duty.

³ Age 52 with 5 years of credited service for Miscellaneous members hired on or after January 1, 2013.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical:	PPO – City Health Plan (self-insured) and UHC Medicare Advantage (fully-insured) HMO – Kaiser (fully-insured) and Blue Shield (flex-funded)
Dental:	Delta Dental, DeltaCare USA and UnitedHealthcare Dental
Vision:	Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

As of the June 30, 2018 valuation date, the following current and former employees were covered by the benefit terms under the healthcare plan:

	<u>City Plan</u>
Active plan members	32,380
Inactive employees entitled to but not yet receiving benefit payments	2,071
Inactive employees or beneficiaries currently receiving benefit payments	22,045
Total	<u>56,496</u>

San Francisco County Transportation Authority and Successor Agency

The Transportation Authority's defined benefit postemployment healthcare plan provides healthcare benefits to eligible employees and their surviving spouses. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 and meeting program vesting requirements or being converted to disability status and retiring directly from the Transportation Authority. Dental and vision benefits are not available to retirees. The Transportation Authority is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for the provision of healthcare insurance programs for both active and retired employees.

Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's other postemployment benefits plan. The Successor Agency sponsors a defined benefit plan providing OPEB to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency pays 100% of the premiums of CalPERS medical plan to eligible employees that satisfied the required services years and minimum age.

The Transportation Authority and the Successor Agency participate in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent multiple-employer postemployment health plan, to prefund other postemployment benefits through CalPERS. CalPERS issues publicly available financial reports for all plans it administers and a separate GASB Statement No. 75 report for CERBT that can be found on CalPERS website.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Projections of the sharing of benefit related costs are based on an established pattern of practice.

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the healthcare plan:

	Transportation Authority	Successor Agency
Active plan members	37	47
Inactive employees or beneficiaries currently receiving benefit payments	9	115
Total	46	162

Contributions

The City's benefits provided under the OPEB Plan are currently paid through "pay-as-you-go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the RHCTF a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City's actuary has determined that the City's portion of the RHCTF is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the RHCTF. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City contributes 0.25% of compensation into the RHCTF for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City contributes an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's actuary has determined that the City's portion of the RHCTF is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation. Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

For the year ended June 30, 2019, the City's funding was based on "pay-as-you-go" plus a contribution of \$32.8 million to the RHCTF. The "pay-as-you-go" portion paid by the City was \$185.8 million for a total contribution subsequent to the measurement date of \$218.6 million for the year ended June 30, 2019.

The Transportation Authority's contribution requirements are established and may be amended by the Board. The Transportation Authority makes contributions on an actuarial basis, funding the full actuarially determined contributions (ADC). The Transportation Authority's employees are not required to contribute to the OPEB plan. For the year ended June 30, 2019, the Transportation Authority contributed \$0.1 million to the CERBT plan. The Successor Agency's OPEB funding policy is to contribute 100% or more of the ADC annually by contributing to the CERBT. For the year ended June 30, 2019, the Successor Agency contributed \$3.0 million to the plan. There are no employee contributions to the Successor Agency's plan. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

OPEB liabilities are financed by governmental funds and enterprise funds that are responsible for the charges.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Net OPEB Liability

The table below shows how the net OPEB liability (NOL) as of June 30, 2019 is distributed.

	2019
Governmental activities.....	\$ 1,945,998
Business-type activities.....	1,643,413
Fiduciary funds.....	18,353
Total.....	<u>\$ 3,607,764</u>

As of June 30, 2019, the City's NOL is comprised of the following:

City defined benefit healthcare plan.....	\$ 3,600,967
Transportation Authority defined benefit healthcare plan.....	229
Successor Agency defined benefit healthcare plan.....	6,568
Total.....	<u>\$ 3,607,764</u>

The changes in the City OPEB Plan's net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017.....	\$ 3,891,686	\$ 174,477	\$ 3,717,209
Changes during the measurement period.....			
Service cost.....	127,850	-	127,850
Interest.....	290,029	-	290,029
Differences between expected and actual experience.....	(385,732)	-	(385,732)
Changes of assumptions.....	111,119	-	111,119
Contributions - employer.....	-	203,858	(203,858)
Contributions - member.....	-	41,682	(41,682)
Net investment income.....	-	14,105	(14,105)
Benefit payments, including refunds of member contributions.....	(178,019)	(178,019)	-
Administrative expense.....	-	(137)	137
Net changes during the measurement period.....	<u>(34,753)</u>	<u>81,489</u>	<u>(116,242)</u>
Balance at June 30, 2018.....	<u>\$ 3,856,933</u>	<u>\$ 255,966</u>	<u>\$ 3,600,967</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

The changes in net OPEB liability for the plans of the Transportation Authority and Successor Agency are as follows:

	Transportation Authority			Successor Agency		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017.....	\$ 1,748	\$ 1,503	\$ 245	\$ 10,262	\$ 3,925	\$ 6,337
Changes during the measurement period.....						
Service cost.....	122	-	122	164	-	164
Interest.....	129	-	129	701	-	701
Difference between expected and actual experience.....	(5)	-	(5)	267	-	267
Changes of assumptions.....	-	-	-	1,572	-	1,572
Contributions.....						
Trust deposits.....	-	85	(85)	-	-	-
Employer - explicit subsidy.....	-	47	(47)	-	2,145	(2,145)
Employer - implicit subsidy.....	-	12	(12)	-	-	-
Benefit payments, including refunds of member contributions.....	(58)	(58)	-	(812)	(812)	-
Administrative expense.....	-	(1)	1	-	(11)	11
Expected investment return.....	-	112	(112)	-	-	-
Investment experience (loss)/gain.....	-	7	(7)	-	339	(339)
Net changes during the measurement period.....	188	204	(16)	1,892	1,661	231
Balance at June 30, 2018.....	\$ 1,936	\$ 1,707	\$ 229	\$ 12,154	\$ 5,586	\$ 6,568

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense including amortization of deferred outflows/inflows related to OPEB items as follows:

	Primary Government			Total
	Governmental Activities	Business-type Activities	Fiduciary Funds	
City defined benefit healthcare plan.....	\$ 191,656	\$ 127,181	\$ 1,494	\$ 320,331
Transportation Authority defined benefit healthcare plan.....	131	-	-	131
Successor Agency defined benefit healthcare plan.....	-	-	1,931	1,931
Total OPEB expense.....	\$ 191,787	\$ 127,181	\$ 3,425	\$ 322,393

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

As of June 30, 2019, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	City Plan		Transportation Authority	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date.....	\$ 218,625	\$ -	\$ 138	\$ -
Difference between expected and actual experience.....	-	330,627	-	5
Changes in assumptions.....	95,245	-	-	-
Net difference between projected and actual earnings on plan investments.....	-	3,327	-	29
Total.....	\$ 313,870	\$ 333,954	\$ 138	\$ 34

	Successor Agency		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date.....	\$ 2,967	\$ -	\$ 221,730	\$ -
Difference between expected and actual experience.....	182	-	182	330,632
Changes in assumptions.....	1,065	-	96,310	-
Net difference between projected and actual earnings on plan investments.....	-	14	-	3,370
Total.....	\$ 4,214	\$ 14	\$ 318,222	\$ 334,002

Amounts reported as deferred outflows/inflows will be amortized annually and recognized in OPEB expense as follows:

Year ending June 30:	Deferred Outflows/ (Inflows) of Resources
2020.....	\$ (39,856)
2021.....	(39,856)
2022.....	(40,390)
2023.....	(38,945)
2024.....	(39,230)
Thereafter.....	(39,233)
Total	\$ (237,510)

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the City Plan's total OPEB liability as of June 30, 2018 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Medical costs: Applied at beginning of calendar year, starting at 6.50% for 2019, grading down to 5.18% in 2028, and decreasing to an ultimate rate of 3.93% in 2076. Vision and expenses trend remains a flat 3.5% for all years
Expected Rate of Return on Plan Assets	7.40%
Discount Rate	7.40%
Salary Increase Rate	Wage Inflation Component: 3.50% Additional Merit Component (dependent on years of service): Police: 1.50% - 8.00% Fire: 1.50% - 15.00% Muni Drivers: 0.00% - 15.00% Craft: 0.00% - 3.50% Misc: 0.00% - 5.25%
Inflation Rate	Wage Inflation: 3.50% compounded annually Consumer Price Inflation: 2.75% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2014.

Healthy Non-Annuitant - CalPERS employee mortality tables without scale BB projection

Gender	Adjustment Factor	Base Year
Female	0.918	2009
Male	0.948	2009

Healthy Annuitants - CalPERS healthy annuitant mortality table without scale BB projection

Gender	Adjustment Factor	Base Year
Female	1.014	2009
Male	0.909	2009

Miscellaneous Disabled Annuitants - RP-2014 Disabled Retiree Tables without MP-2014 projection

Gender	Adjustment Factor	Base Year
Female	1.066	2006
Male	0.942	2006

Safety Disabled Annuitants - CalPERS industrial disability mortality table without scale BB projection

Gender	Adjustment Factor	Base Year
Female	0.983	2009
Male	0.909	2009

The mortality rates in the base tables are projected generationally from the base year using the modified version of the MP-2015 projection scale. The scale was modified using the Society of Actuaries' model implementation tool with rates converging to the ultimate rate in 2017 (instead of 2029) and an ultimate rate of improvement of 0.85% (instead of 1.00%) up to age 85 decreasing to 0.70% (instead of 0.85%) at age 95.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

The Transportation Authority net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined using an actuarial valuation as of June 30, 2017. The Successor Agency's net OPEB liability was measured as of June 30, 2018, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 rolled back to June 30, 2018 using standard update procedures. A summary of the actuarial assumptions and methods used to calculate the total OPEB liability are as follows:

Key Actuarial Assumptions	June 30, 2018 Measurement Date	
	Transportation Authority	Successor Agency
Actuarial Valuation Date	June 30, 2017	June 30, 2019
Measurement Date	June 30, 2018	June 30, 2018
Discount Rate	7.28%	6.75%
General Inflation	3.00% per annum	2.75%
Salary Increases	3.25% per annum, in aggregate	3.00%
Investment Rate of Return	7.28%	6.75%
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2015	CalPERS Experience Study for the period from 1997 to 2015
Healthcare Cost Trend Rate	Initial 7% for medicare eligibles, 9% for spouse of medicare eligibles and 4.5% non-medicare eligibles, all grading down to 4%	Pre-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076; Medicare- 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076

Sensitivity of Net OPEB Liabilities to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability for each plan calculated using the healthcare cost trend rate, as well as what the plan's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

Plan	June 30, 2018 (measurement year)		
	1% Decrease	Healthcare Trend	1% Increase
City Defined Benefit Plan	\$ 3,129,823	\$ 3,600,967	\$ 4,185,277
Transportation Authority	(41)	229	572
Successor Agency	5,520	6,568	7,808

Discount Rate

City OPEB Plan - The discount rate used to measure the total OPEB liability as of June 30, 2018 was 7.4%. The projection of cash flows used to determine the discount rate assumed that plan member and employer contributions will continue to be made at the rates specified in the Charter, and disbursements from the RHCTF will continue to be limited by the Charter until it is fully funded. Based on those assumptions, it was determined that the OPEB Plan's fiduciary net position was projected to be available to make all future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return is based on the RHCTF's investment consultant's 10 and 20-year capital market assumptions for the RHCTF's asset allocation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Equities	41.0%	7.3%
Developed Market Equity (non-U.S.)	20.0%	7.1%
Emerging Market Equity	16.0%	9.4%
Credit		
High Yield Bonds	3.0%	5.4%
Bank Loans	3.0%	5.0%
Emerging Market Bonds	3.0%	4.9%
Rate Securities		
Treasury Inflation Protected Securities	5.0%	3.3%
Investment Grade Bonds	9.0%	3.6%
Total	100.0%	

Transportation Authority and Successor Agency - The discount rates used to measure the total OPEB liability of the Transportation Authority and the Successor Agency were 7.28 % and 6.75 %, respectively. The projections of cash flows used to determine the discount rates assumed that Transportation Authority and Successor Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB plans' investments was applied to all periods of projected benefit payments to determine the total OPEB liability of each plan.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	
		Transportation Authority	Successor Agency
Global Equity	57.00%	4.82%	4.82%
Fixed Income	27.00%	1.47%	1.47%
Treasury Inflation Protection Securities	5.00%	1.29%	1.29%
Real Estate Investment Trusts	8.00%	3.76%	3.76%
Commodities	3.00%	0.84%	0.84%
Total	100.00%		

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

The following presents the net OPEB liability calculated using the discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate for each plan:

Plan	June 30, 2018 (measurement year)		
	1% Decrease 6.40%	Discount Rate 7.40 %	1% Increase 8.40%
City Defined Benefit Plan	\$ 4,139,975	\$ 3,600,967	\$ 3,159,941

	June 30, 2018 (measurement year)		
	1% Decrease 6.28%	Discount Rate 7.28%	1% Increase 8.28%
Transportation Authority	\$ 524	\$ 229	\$ (11)

	June 30, 2018 (measurement year)		
	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Successor Agency	\$ 7,866	\$ 6,568	\$ 5,475

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(10) FUND EQUITY

(a) Governmental Fund Balance

Fund balances for all the major and nonmajor governmental funds as of June 30, 2019, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Imprest Cash, Advances, and Long-Term Receivables..	\$ 1,259	\$ 140	\$ 1,399
Restricted			
Rainy Day.....	324,977	54,526	379,503
Public Protection			
Police.....	-	16,375	16,375
Sheriff.....	-	1,085	1,085
Other Public Protection.....	-	23,494	23,494
Public Works, Transportation & Commerce.....	-	342,516	342,516
Human Welfare & Neighborhood Development.....	-	671,217	671,217
Affordable Housing.....	-	261,947	261,947
Community Health.....	-	33,045	33,045
Culture & Recreation.....	-	239,494	239,494
General Administration & Finance.....	-	32,462	32,462
Capital Projects.....	-	471,240	471,240
Debt Service.....	-	161,704	161,704
Total Restricted.....	<u>324,977</u>	<u>2,309,105</u>	<u>2,634,082</u>
Committed			
Budget Stabilization.....	396,760	-	396,760
Recreation and Park Expenditure Savings.....	803	-	803
Total Committed.....	<u>397,563</u>	<u>-</u>	<u>397,563</u>
Assigned			
Public Protection			
Police.....	8,986	2,574	11,560
Sheriff.....	2,807	2,174	4,981
Other Public Protection.....	64,992	-	64,992
Public Works, Transportation & Commerce.....	39,647	55,134	94,781
Human Welfare & Neighborhood Development.....	119,411	19,458	138,869
Affordable Housing.....	25,638	-	25,638
Community Health.....	244,922	-	244,922
Culture & Recreation.....	14,332	17,115	31,447
General Administration & Finance.....	53,815	18,185	72,000
General City Responsibilities.....	35,165	-	35,165
Capital Projects.....	238,577	-	238,577
Litigation and Contingencies.....	186,913	-	186,913
Subsequent Year's Budget.....	326,582	-	326,582
Total Assigned.....	<u>1,361,787</u>	<u>114,640</u>	<u>1,476,427</u>
Unassigned.....	<u>631,437</u>	<u>(331)</u>	<u>631,106</u>
Total.....	<u>\$ 2,717,023</u>	<u>\$ 2,423,554</u>	<u>\$ 5,140,577</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(b) General Fund Stabilization and Other Reserves

Rainy Day Reserve

The City maintains a "Rainy Day" or economic stabilization reserve under Charter Section 9.113.5, with separate accounts for the benefit of the City (the "City Reserve") and the San Francisco Unified School District (the "School Reserve"). In any year when the City projects that total General Fund revenues for the upcoming budget year are going to be more than five percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the "excess revenues" in the Rainy Day Reserve. Seventy-five percent of the deposit is placed in the City Reserve and twenty-five percent is placed in the School Reserve. The total amount of money in the Rainy Day Reserve may not exceed ten percent of the City's actual total General Fund revenues. The City may spend money from the City Reserve for any lawful governmental purpose, but only in years when the City projects that total General Fund revenues for the upcoming year will be less than the current year's total General Fund revenues, i.e., years when the City expects to take in less money than it had taken in for the current year. In those years, the City may spend up to half the money in the City Reserve, but no more than is necessary to bring the City's total available General Fund revenues up to the level of the current year. The School District may withdraw up to half the money in the School Reserve when it expects to collect less money per student than the previous fiscal year and would have to lay off a significant number of employees. The School District's Board can override those limits and withdraw any amount in the School Reserve by a two-thirds vote. The City 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 2019-20 through 2023-24.

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 2019-20 through 2023-24.

Recreation and Park Expenditure Savings Reserve

The City maintains a Recreation and Park Expenditure Savings Reserve under Charter Section 16.107, which sets aside and maintains such an amount, together with any interest earned thereon, in the reserve account, and any amount unspent or uncommitted at the end of the fiscal year shall be carried forward to the next fiscal year and, subject to the budgetary and fiscal limitations of the Charter, shall be appropriated then or thereafter for capital and/or facility maintenance improvements to park and recreation facilities and other one-time expenditures of the Park and Recreation Department.

(c) Encumbrances

At June 30, 2019, encumbrances recorded in the General Fund and nonmajor governmental funds were \$351.4 million and \$538.2 million, respectively.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(d) Restricted Net Position

At June 30, 2019, the government-wide statement of net position reported restricted net position of \$2.02 billion in governmental activities and \$1.05 billion in business-type activities, of which \$26.0 million and \$162.9 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 \$447.7 million of unrestricted net position of governmental activities, of which \$396.8 million reduced net investment in capital assets and \$50.9 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

(e) Deficit Fund Balances and Net Position

The Senior Citizens Program Fund had a deficit of \$0.3 million as of June 30, 2019. The deficit relates to unavailable revenue in various programs, which is expected to be collected beyond 60 days of the end of fiscal year 2019.

The Central Shops and Telecommunications and Information Internal Service Funds had deficits in total net position of \$26.1 million and \$37.4 million, respectively, as of June 30, 2019, mainly due to the accrual of the net pension and other postemployment benefits liabilities. The operating deficits are expected to be reduced in future years through anticipated rate increases or reductions in operating expenses. The rates are reviewed and updated annually.

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. 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, 2019, the Successor Agency has a deficit of \$471.0 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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(11) UNAVAILABLE RESOURCES IN GOVERNMENTAL FUNDS

The deferred inflows of resources balance in governmental funds as of June 30, 2019 consists of the following unavailable resources:

	General Fund	Other Governmental Funds	Total Governmental Funds
Grant and subvention revenues....	\$ 87,794	\$ 70,791	\$ 158,585
Property tax.....	89,448	11,680	101,128
Teeter Plan.....	23,793	-	23,793
SB 90.....	3,898	-	3,898
Advances to Successor Agency....	-	6,442	6,442
PG&E franchise tax.....	3,477	-	3,477
Loans.....	16,004	90,552	106,556
Total.....	\$ 224,414	\$ 179,465	\$ 403,879

California Senate Bill 90 (SB90), was adopted in 1972 and added to the State Constitution in 1979. When the Governor or Legislature mandates a new program or higher level of service upon local agencies and school districts, SB90 requires the State to reimburse local agencies and school districts for the cost of these new programs or higher levels of service. The balance in deferred inflows of resources is the value of reimbursement claims submitted to the State, which are subject to audit for unallowable costs.

As described in Note 6, under the Teeter Plan the City is allocated secured property tax revenue, which has been billed but not collected. Collections which have not occurred within the availability period are included in deferred inflows of resources in the General Fund.

(12) SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

The Transportation Authority was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax were set forth in the San Francisco County Transportation Expenditure Plan (Expenditure Plan), which was approved as part of Proposition B. The Transportation Authority was organized pursuant to Sections 131000 et seq. of the Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990. The Transportation Authority administers the following programs:

Sales Tax Program. On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

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.

Vehicle Registration Fee for Transportation Improvements Program. On November 2, 2010, San Francisco voters approved Proposition AA with a 59.6% affirmative vote, authorizing the Transportation Authority to collect an additional \$10 annual vehicle registration fee on motor vehicles registered in San Francisco and to use the proceeds to fund transportation projects identified in the Expenditure Plan. Revenue collection began in May 2011. Proposition AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues designated for each category over the 30-year Expenditure Plan period is shown in parenthesis for the following category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). The Proposition AA program is a pay-as-you-go program.

Treasure Island Mobility Management Authority (TIMMA). The Treasure Island Transportation Management Act of 2008 (AB 981) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the TIMMA to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141, establishing TIMMA as a legal entity distinct from the Transportation Authority to help firewall the Transportation Authority's other functions. The eleven members of the Transportation Authority Board act as the Board of Commissioners for TIMMA. The Transportation Authority financial statements include TIMMA as a blended special revenue component unit.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(13) DETAILED INFORMATION FOR ENTERPRISE FUNDS

(a) San Francisco International Airport

San Francisco International Airport (the Airport or SFO), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five-member Commission is responsible for the operation, development and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to the 2018 North American Traffic Report from the Airports Council International (ACI), the Airport is the seventh busiest airport in the United States in terms of passengers and fifteenth in terms of cargo tonnage. The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

Revenue Pledge – The Airport has pledged all of the Net Revenues (as defined in bond resolutions adopted by the Airport Commission) to repay the following obligations, when due, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds (Senior Bonds) and a portion of amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, (2) the Subordinate Commercial Paper Notes and any other obligations (Subordinate Bonds) and amounts due to reimburse drawings under the letters of credit securing the Commercial Paper Notes, (3) remaining amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, and (4) interest rate swap termination payments.

During fiscal year 2019, the original principal amount of the Senior Bonds and Commercial Paper Notes issued, principal and interest remaining due on outstanding Senior Bonds and Commercial Paper Notes, principal and interest paid on such obligations, and applicable Net Revenues are as set forth in the table below. There were no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

Bonds issued with revenue pledge	\$ 1,763,565
Bond principal and interest remaining due at end of the fiscal year	13,680,347
Bond principal and interest paid in the fiscal year	442,442
Commercial paper issued with subordinate revenue pledge	406,110
Commercial paper principal and interest remaining due at end of the fiscal year ...	3,588
Commercial paper principal, interest and fees paid in the fiscal year	5,515
Net revenues	539,913

In addition, pursuant to the Hotel Trust Agreement, the Airport has pledged all of the on-Airport Hotel and certain other assets pledged under the Hotel Trust Agreement, to repay the Hotel Special Facility Bonds. This pledge is in force so long as the Hotel Special Facility Bonds are outstanding. The Hotel Special Facility Bonds mature in fiscal year 2058.

Reserves and Debt Service Requirement – Under the terms of the 1991 Master Bond Resolution, the Airport may establish one or more reserve accounts with different reserve requirements to secure one or more series of Senior Bonds. Accordingly, the Airport has established three reserve accounts in the Reserve Fund: the Issue 1 Reserve Account, the 2009 Reserve Account, and the 2017 Reserve Account, all held by the trustee for the Senior Bonds. The reserve requirement for the Issue 1 Reserve Account is equal to the maximum annual debt service accruing in any year during the life of all participating series of bonds secured by the Issue 1 Reserve Account. The reserve requirement for each series of Senior Bonds secured by the 2009 Reserve Account (each a 2009 Reserve Series) is the lesser of: (i) maximum annual debt service for such series of 2009 Reserve Series Bonds, (ii) 125% of average annual debt service for such series of 2009 Reserve Series Bonds, and (iii) 10% of the outstanding principal amount of such series (or allocable issue price of such series if such series is sold with more than a de minimis (2%) amount of original issue discount), in each case as determined from time to time. With respect to all 2009 Reserve Series, the reserve requirement is the aggregate of such

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

amounts for each individual series. As of June 30, 2019, only the Series 2009C and 2010D Bonds are secured by the 2009 Reserve Account. The reserve requirement for the 2017 Reserve Account is equal to the lesser of: (i) the maximum amount of aggregate annual debt service for all 2017 Reserve Series Bonds in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of the 2017 Reserve Series Bonds, (ii) 10% of the outstanding aggregate principal amount of all 2017 Reserve Series Bonds (provided that the issue price of a Series of 2017 Reserve Series Bonds will be used in this calculation if such Series was sold with an original issue discount that exceeded 2% of the principal of such Series on its original date of sale), and (iii) 125% of the average aggregate annual debt service for all 2017 Reserve Series Bonds. As of June 30, 2019, only the Series 2017C, 2017D, 2018A, 2019B, and 2019D Bonds are secured by the 2017 Reserve Account. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of Senior Bonds, or may issue Senior Bonds without a reserve account.

While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified levels of insurance or self-insurance.

Under the terms of the 1991 Master Bond Resolution, the Airport has covenanted that it will establish and at all times maintain rentals, rates, fees, and charges for the use of the Airport and for services rendered by the Airport so that:

- (i) Net revenues in each fiscal year will be at least sufficient (i) to make all required debt service payments and deposits in such fiscal year with respect to the bonds, any subordinate bonds, and any general obligation bonds issued by the City for the benefit of the Airport and (ii) to make the annual service payment to the City, and
- (ii) Net revenues, together with any transfer from the Contingency Account to the Revenue Account (both held by the City Treasurer), in each fiscal year will be at least equal to 125% of aggregate annual debt service with respect to the bonds for such fiscal year.

The methods required by the 1991 Master Bond Resolution for calculating debt service coverage differs from GAAP used to determine amounts reported in the Airport's financial statements.

Passenger Facility Charges –The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of \$4.50 or \$3.00 for each enplaned passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. As of June 30, 2019, the FAA has approved Airport applications (PFC #2 to PFC #8) for collection and use with a total cumulative collection amount of \$2.1 billion. The final charge expiration date is estimated to be March 1, 2029. The Airport is working with the FAA to close 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. Additionally, PFC #6 and PFC #7 have been closed and consolidated into the new commingled PFC #8. For the year ended June 30, 2019, the Airport reported approximately \$110.9 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

Commitments and Contingencies – On February 26, 2019, the Airport issued San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 2019A (AMT) and Series 2019B (Federally Taxable) (the "Fuel Bonds"), in an aggregate principal amount of \$125.0 million to refund all of the then-outstanding special facilities lease revenue bonds previously issued by the Commission for the benefit of SFO FUEL COMPANY LLC (SFO Fuel), finance capital improvements to the jet fuel distribution and related facilities at San Francisco International Airport, pay capitalized interest on a portion of the Series 2019A Bonds, make a deposit to a reserve

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

account for the Fuel Bonds, and pay costs of issuance. SFO Fuel, a special purpose limited liability company formed by certain airlines operating at the Airport, is required to pay facilities rent to the Airport pursuant to a lease agreement between the Commission and SFO Fuel with respect to the on-Airport jet fuel distribution facilities in an amount equal to debt service payments on the Fuel Bonds and any required bond reserve account deposits. The principal and interest on the Fuel Bonds are paid solely from the facilities rent payable by SFO Fuel to the Airport. The lease payments, and therefore the Fuel Bonds, are payable from charges imposed by SFO Fuel on air carriers for into-plane fueling at the Airport and are not payable from or secured by the Net Revenues of the Airport. The Airport assigned its right to receive the facilities rent to the Fuel Bonds trustee to pay and secure the payment of the Fuel Bonds. Neither the Airport nor the City is obligated in any manner for the repayment of the Fuel Bonds other than from the facilities rent received from SFO Fuel. The Fuel Bonds are therefore not reported in the accompanying financial statements.

Purchase commitments for construction, material and services as of June 30, 2019 are as follows:

Construction	\$ 246,778
Operating	<u>32,503</u>
Total	<u>\$ 279,281</u>

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, 2019 was \$49.1 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, Fire Department, City Attorney, City Treasurer, City Controller, City Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2019, was \$171.3 million.

Business Concentrations - In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. For the year ended June 30, 2019, revenues realized from the following Airport tenant exceeded five percent of the Airport's total operating revenues:

United Airlines	23.8%
-----------------------	-------

(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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

The Port pledged future net revenues to repay its revenue bonds. Annual principal and interest payments through 2044 are expected to require less than 11% 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 \$83.1 million. The principal and interest payments made in 2019 were \$4.2 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2019, were \$38.9 million.

The Port has entered into a loan agreement with the California Division of Boating and Waterways for \$3.5 million to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and is secured by gross revenues as defined in the loan agreement. Total principal and interest remaining to be paid on this loan is \$2.3 million. Annual principal and interest payments were \$0.23 million in 2019 and pledged harbor revenues were \$0.2 million for the year ended June 30, 2019.

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, 2019, the Port's purchase commitments for construction-related services, materials and supplies, and other services were \$21.2 million for capital projects and \$4 million for general operations.

Transactions with Other Funds – The Port receives from, and provides services to, various City departments. In fiscal year 2019, the \$18.7 million in services provided by other City departments included \$2.8 million of insurance premiums and \$0.6 million in workers' compensation expense.

In connection with the planning phase of the Seawall Resiliency Project, which commenced July 2016, the Port received \$0.3 million from the City and \$0.3 million from the Planning Department in support of the project.

On September 27, 2018, the Port and Mayor's Office of Housing and Community Development (MOHCD) entered into a Memorandum of Understanding to implement the affordable housing development project at the Seawall Lot 322-1 ("88 Broadway"). MOHCD agreed to pay the Port the fair market value for the property in the amount of \$14.9 million from any source funds available to MOHCD. If MOHCD does not pay the Port the full fair market value as of the date of Ground Lease closing, interest will accrue on the unpaid amounts at a rate of 1.5% simple interest per annum during the first two (2) years and at a rate of 3% per annum thereafter until the date of payment in full. At June 30, 2019, the Port is due a total of \$15.0 million from MOHCD. In March 2019, the Port entered into a Ground Lease with a developer. The Ground Lease has a term of fifty-seven years plus one eighteen year extension option (a 75-year maximum term but with expiration no later than December 31, 2105). The lease revenues are being amortized over the 75-year maximum term of the lease. At June 30, 2019, the Port has a noncurrent unearned revenue balance in the amount of \$14.5 million related to this Ground Lease. In addition to the payment by MOHCD, the Developer will be required to make lease payments representing a share of any cash flow generated by commercial activities.

The Port and Department of Building Inspection (DBI) entered into an MOU dated May 7, 2018 to provide plan review and field inspection in accordance with San Francisco Building Code on projects enforced by the Port. As of June 30, 2019, the Port accrued a liability payable to DBI in the amount of \$0.6 million for the 88 Broadway project.

In December 2017, the Port and the San Francisco Fire Department (SFFD) entered into a MOU for the use of water, apron, shed and office space at Pier 26 for berthing and servicing of fire boats for five years and on a month-to-month basis afterward. To facilitate these uses, SFFD repaired apron decking, replaced the fender system within the leasehold area and upgraded electrical services to Pier 26. In return, the Port allowed SFFD to apply hundred percent rent credits toward the lease payments until all

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

required capital improvements, approximately \$2.3 million, are fully offset. As of June 30, 2019, rent credits of \$0.4 million have been provided to SFFD.

South Beach Harbor Project Commitments – On May 1, 2019, OCII transferred South Beach Harbor operations to the Port. Under San Francisco Bay Conservation and Development Commission (BCDC) Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements were to be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that the required uncompleted work would cost approximately \$7.9 million. The Port has worked with the water recreation community to develop an alternative public access improvement proposal for BCDC consideration. Port management believes that the alternative proposal will provide significant public access improvements that are relevant to the project area and at a lower cost. The Port is seeking an extension of time from BCDC to complete the amended project work.

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 69-acre area commonly known as "Pier 70" has been used for over 150 years for iron and steel works, ship building and repair, and other heavy industrial operations. Much of the site was owned and/or occupied by the U.S. Navy or its contractors for at least 60 years. A long history of heavy industrial use has turned this area into a "brownfield" – an underutilized property area where reuse is hindered by actual or suspected contamination. Fifteen acres remain occupied by an on-going ship repair facility. Environmental conditions exist that require investigation and remediation prior to any rehabilitation or development for adaptive reuse. The lack of adequate information about environmental conditions has hindered previous development proposals for Pier 70.

Investigation work completed in 2011 reduced the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan. The Regional Water Quality Control Board approved the Risk Management Plan in January 2014. The Risk Management Plan provides institutional controls (e.g. use restrictions, health and safety plans) and engineering controls (e.g. capping contaminated soil) to protect current and future users and prevent adverse impact to the environment. The Risk Management Plan specifies how future development, operation, and maintenance will implement the remedy, by covering existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil.

Previous investigation of the northeast shoreline of Pier 70, in an area for development as the future "Crane Cove Park", found that near-shore sediment is contaminated with metals, petroleum hydrocarbons and polychlorinated biphenyls at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

of the area for public access and recreation. In 2018, the Port entered into a disposition and development agreement with a developer for the 28-acre Waterfront Site. The developer assumes substantial responsibility for capping contaminated soil in the project area according to a Risk Management Plan. The remaining accrued cost for pollution remediation at Pier 70, represents the estimated contract value for the soil cap between Crane Cove Park and the shipyard and a sediment cap underwater northwest of the shipyard, is estimated at \$4.1 million at June 30, 2019.

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, 2019, is as follows:

	Environmental Remediation	Miscellaneous Compliance	Total
Environmental liabilities at July 1, 2018	\$ 3,000	\$ 44	\$ 3,044
Current year claims and changes in estimates	1,105	-	1,105
Environmental liabilities at June 30, 2019	<u>\$ 4,105</u>	<u>\$ 44</u>	<u>\$ 4,149</u>

(c) San Francisco Water Enterprise

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. In fiscal year 2019, the Water Enterprise sold water, approximately 67,319 million gallons annually, to a total population of approximately 2.7 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission (Commission), established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy and CleanPowerSF), and the San Francisco Wastewater Enterprise. Under Proposition E, the City's Charter Amendment approved by the voters in June 2008, the Mayor nominates candidates subject to qualification requirements to the Commission and the Board of Supervisors votes to approve the nominees by a majority (at least six members).

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 2019 and applicable revenues for 2019 are as follows:

Bonds issued with revenue pledge	\$ 4,746,890
Bond principal and interest remaining due at end of the fiscal year	7,727,793
Bond principal and interest paid in the fiscal year	261,638
Net revenues	311,619
Funds available for revenue debt service	532,981

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Water Balancing Account – During fiscal year 2019, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was \$253.2 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, 2019, the City owed the Wholesale Customers \$64.8 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2019, the Water Enterprise had outstanding commitments with third parties of \$237.7 million for various capital projects and for materials and supplies.

Environmental Issue – As of June 30, 2019, the total pollution remediation liability was \$2.2 million, consisting of \$1.3 million for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area, and \$0.9 million for the 17th and Folsom site.

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and electricity from Hetch Hetchy Power at market rates. These amounts, totaling approximately \$33.6 million and \$9.5 million, respectively, for the year ended June 30, 2019, are included in the operating expenses for services provided by other departments in the Water Enterprise's financial statements.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Water Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately \$16.6 million for the year ended June 30, 2019 and have been included in services provided by other departments.

(d) Hetch Hetchy Enterprise

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy or the Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City. In May 2016, the City launched CleanPowerSF to provide green electricity from renewable sources to its residential and commercial customers. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (aka the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewables.

Approximately 73.8% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the SFMTA, the Recreation and Park Department, the Port, the Airport and its tenants, SFGH, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 26.2% balance of electricity is sold to CleanPowerSF and other utility districts. As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the Districts to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the California Independent System Operator (CAISO). Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, state and federal power matters before the California Public Utilities Commission (CPUC), the CAISO, and the Federal Energy

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

Segment Information – Hetch Hetchy Power issued debt to finance its improvements. The Hetch Hetchy Water fund, the Hetch Hetchy Power fund, and CleanPowerSF fund are reported for in a single enterprise (i.e., Hetch Hetchy Enterprise). CleanPowerSF is presented as a fund of the Enterprise beginning in the year ended 2017. However, investors in the debt rely solely on the revenue generated by the individual activities for repayment. Summary financial information for Hetch Hetchy is presented below:

Condensed Statements of Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Elimination	Total
Assets*:					
Current assets.....	\$ 81,599	\$ 205,666	\$ 63,044	\$ -	\$ 350,309
Receivables from other funds and component units.....	-	13,581	-	(3,731)	9,850
Noncurrent restricted cash and investments.....	12,673	19,195	-	-	31,868
Other noncurrent assets.....	160	780	-	-	940
Capital assets.....	149,103	401,528	-	-	550,631
Total assets.....	243,535	640,750	63,044	(3,731)	943,598
Deferred outflows of resources:					
Pensions.....	6,447	7,879	339	-	14,665
Other postemployment benefits.....	1,343	1,641	108	-	3,092
Total deferred outflows of resources.....	7,790	9,520	447	-	17,757
Liabilities:					
Current liabilities.....	6,726	82,314	17,056	-	106,096
Noncurrent liabilities.....	38,123	115,761	6,116	(3,731)	156,269
Total liabilities.....	44,849	198,075	23,172	(3,731)	262,365
Deferred inflows of resources:					
Pensions.....	3,874	4,734	203	-	8,811
Other postemployment benefits.....	1,429	1,746	115	-	3,290
Total deferred inflows of resources.....	5,303	6,480	318	-	12,101
Net position:					
Net investment in capital assets.....	149,103	301,534	-	-	450,637
Restricted for debt service.....	-	1,145	-	-	1,145
Restricted for capital projects.....	8,401	-	-	-	8,401
Unrestricted.....	43,669	143,036	40,001	-	226,706
Total net position.....	\$ 201,173	\$ 445,715	\$ 40,001	\$ -	\$ 686,889

*Certain amounts presented herein have been reclassified from the Statement of Net Position.

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Operating revenues.....	\$ 34,005	\$ 143,561	\$ 167,820	\$ 345,386
Depreciation expense.....	(5,380)	(14,484)	-	(19,864)
Other operating expenses.....	(44,925)	(108,204)	(137,284)	(290,413)
Operating income (loss).....	(16,300)	20,873	30,536	35,109
Nonoperating revenues (expenses):				
Federal and state grants.....	2,984	406	-	3,390
Interest and investment income.....	2,670	6,883	735	10,288
Interest expense.....	-	(2,936)	(130)	(3,066)
Other nonoperating revenues net of expenses.....	29	9,373	-	9,402
Transfers in (out), net.....	20,000	4,490	-	24,490
Change in net position.....	9,383	39,089	31,141	79,613
Net position at beginning of year.....	191,790	406,626	8,860	607,276
Net position at end of year.....	\$ 201,173	\$ 445,715	\$ 40,001	\$ 686,889

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Condensed Statements of Cash Flows	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Net cash provided by (used in):				
Operating activities.....	\$ (6,191)	\$ 33,091	\$ 12,522	\$ 39,422
Noncapital financing activities.....	20,156	13,138	-	33,294
Capital and related financing activities.....	(22,698)	(51,650)	-	(74,348)
Investing activities.....	1,274	5,315	428	7,017
Increase (decrease) in cash and cash equivalents.....	(7,459)	(106)	12,950	5,385
Cash and cash equivalents at beginning of year.....	97,117	211,275	12,465	320,857
Cash and cash equivalents at end of year.....	<u>\$ 89,658</u>	<u>\$ 211,169</u>	<u>\$ 25,415</u>	<u>\$ 326,242</u>

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 fiscal year 2019, and applicable revenues for 2019 are as follows:

Hetch Hetchy Power	
Bonds issued with revenue pledge	\$ 64,871
Bond principal and interest remaining due at end of the fiscal year	81,570
Bond principal and interest paid in the fiscal year*	4,784
Net revenues.....	39,798
Funds available for revenue debt service	71,013

* Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 series AB power revenue bonds, which has a senior lien on power enterprise revenues; principal and interest paid during the year for the 2015 Series AB power revenue bonds was \$2,569.

Commitments and Contingencies – As of June 30, 2019, Hetch Hetchy had outstanding commitments with third parties of \$96.5 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's operating expenses. Total payments were \$5.7 million in fiscal year 2019. The payments are to be made for the duration of the license but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries, in the lower Tuolumne River, for the duration of the license. A maximum monitoring expense of \$1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52.0% and the Districts are responsible for 48.0% of the costs.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

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 City approved the extension of both agreements for one year to June 30, 2016. A second extension agreement was subsequently approved to extend both agreements for an additional year to June 30, 2017, with an automatic six-month extension through December 31, 2017. Terms and conditions for the MID extension agreement were the same as the original agreement. The second extension agreement for TID removed the District's rights to excess energy from the project and terminated those conditions with the first extension agreement on June 30, 2016. Extended agreements for MID and TID expired on December 31, 2017. Hetch Hetchy will continue to comply with the Raker Act by making generated hydropower available at cost to MID and TID for their agricultural pumping and municipal loads as energy from its project is available after meeting Hetch Hetchy's municipal load obligations. There were no sales to the Districts in fiscal year 2019 primarily due to purchase agreement with MID and TID ended on December 31, 2017.

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 the City's Hetchy power and purchases 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 2019, Hetch Hetchy Power purchased \$10.4 million of distribution services and other support services from PG&E under the terms of the replacement agreements and the 1987 Interconnection Agreement.

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal year 2019, Hetchy Power purchased \$8.3 million of power and other related products. There was no excess power sales after meeting Hetch Hetchy's obligations in fiscal year 2019.

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year Power Purchase Agreement (PPA) with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility. The PPA sets the purchase price of generated energy at \$235/MWh, increased by 3.0% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2019, the facility generated 6,427 MWh and rate was at \$306/MWh.

In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120.0% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50.0% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal year 2019, purchases of energy under the PPA were \$2.0 million or 6,427 MWh.

CleanPowerSF

CleanPowerSF launched in May 2016 and entered into contracts with Calpine Energy Services L.P. (Calpine) and Shiloh I Wind Project LLC (Shiloh) to purchase renewable and conventional energy and resource adequacy capacity to meet its retail sales obligations. Both contracts feature 10-year master

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

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 requires a reserve balance of \$2.7 million as of June 30, 2019, which is equivalent to two months' worth of estimated payment. As of June 30, 2019, total electricity purchased from Calpine and Shiloh were \$34.3 million.

Since its launch, CleanPowerSF has added multiple short-term and medium-term contracts to purchase renewable, carbon-free and conventional energy and resource adequacy capacity, as well as long-term contracts for renewable energy with sPower and Terra-Gen. These contracts have been entered to allow CleanPowerSF to both meet its existing retail sales obligations and to support future retail sales from the citywide expansion of the CleanPowerSF program. Citywide enrollment was substantively completed with the enrollment of residential accounts in April 2019. The total power purchase cost, net of wholesale sales in fiscal year 2019 equaled \$119.9 million. The total contract cost of long-term renewable energy contracts with sPower (a 22-year contract starting delivery in July 2019) and Terra-Gen (a 15-year contract starting delivery in December 2020) are \$219.2 million and \$102.3 million, respectively, over each contract's term. Additional short-term and medium-term contracts (of commitments ranging from less than 1 year to 5 years) for renewable, carbon-free and conventional energy and resource adequacy capacity executed during 2019 totaled \$44.6 million.

CleanPowerSF entered into contract with a third-party data management, billing administration, and customer care services provider in November 2015 for a three-year term, not to exceed \$5.6 million. During fiscal year 2019, amounts paid were \$2.6 million.

In March 2018, CleanPowerSF entered into a five-year, \$75 million Credit Agreement with J.P. Morgan Chase in order for the program to secure letters of credit to guarantee certain payment obligations of CleanPowerSF and to meet working capital needs of CleanPowerSF, if necessary. The Credit Agreement is secured by CleanPowerSF net revenues; there is no pledge of or lien on CleanPowerSF net revenues that ranks senior to the obligations of the Credit Agreement. The letters of credit, issued by J.P. Morgan Chase, were in the amount of \$21.4 million as of June 30, 2019. There was no draw against the Credit Agreement during fiscal year 2019.

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 \$33.6 million and purchased electricity for \$9.5 million for the year ended June 30, 2019. The water assessment fees represent a recovery to fund upcountry, water related costs that are not otherwise funded through water-related revenue. During fiscal year 2019, \$33.6 million of the water assessment fees were received from the Water Enterprise. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling \$10.9 million for the year ended June 30, 2019. Included in 2019 operating revenues are sales of power to departments within the City of \$97.7 million.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy and charge amounts designed to recover those departments' costs. These charges total approximately \$11.7 million for the year ended June 30, 2019 and have been included in services provided by other departments.

As of June 30, 2019, operating expenses in purchase of power from Hetchy Power to CleanPowerSF were \$3.0 million.

CleanPowerSF received program support services from Hetchy Power. This amount totaled \$1.8 million for the year ended June 30, 2019.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(e) San Francisco Municipal Transportation Agency

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors who are appointed by the Mayor and Board of Supervisors. The SFMTA's financial statements include the entire 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 two nonprofit parking garage corporations operated by separate nonprofit corporations, whose operations are interrelated.

The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter of the City (the Charter) in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department, and to provide the Transportation System with the resources, independence, and focus necessary to improve transit service and the City's transportation system. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenue to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A), which provided \$500 million in General Obligation Bonds for transportation and street infrastructure; and (4) in 2014 (Proposition B), which increases general fund allocation to SFMTA based on the City's population increase.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area and eighth largest system in the United States. It currently has more than 223 million boardings annually. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 21 City-owned garages and 18 metered parking lots.

In the beginning of fiscal year 2018, three nonprofit corporations provided operational oversight to four garages, namely Japan Center, Sutter-Stockton, Union Square, and Portsmouth. Of these four garages, Portsmouth and Union Square garages are owned by the Recreation and Park Department but managed by the SFMTA. In February 2018, Uptown Parking Corporation was dissolved and all operations and financial reporting of the Sutter-Stockton have been transferred to Sustainable Streets. Union Square garage is still managed by SFMTA but the financial reporting has been transferred to the Recreation and Park Department. The activities of the two remaining nonprofit garages are accounted for in the parking garages account.

Pledged Revenue – In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors. The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable from all SFMTA operating revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2047.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Annual principal and interest payments for fiscal year 2019 were 22.6% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2019, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	\$ 387,670
Bond principal and interest remaining due at end of the fiscal year	544,664
Net revenues	84,685
Bond principal and interest paid in the fiscal year	24,691
Funds available for revenue bond debt service	109,376

Operating and Capital Grants and Subsidies – The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of SFMTA as determined by the City's budgetary accounting procedures and subject to the appropriation process. The amount of General Fund subsidy to the SFMTA was \$527.5 million in fiscal year 2019. The General Fund subsidy includes a total revenue baseline transfer of \$408.7 million, as required by the City Charter. Out of the \$408.7 million baseline transfer this year, \$38.1 million is related to the Educational Revenue Augmentation Fund (ERAF) supplemental appropriation. In addition, SFMTA received \$68.8 million from an allocation of the City's parking tax. Proposition B, approved by the voters in November 2014, provides additional City General Funds to address transportation needs tied to the City population growth. In fiscal year 2019, SFMTA received \$47 million from this source. In fiscal year 2019, SFMTA also received additional City General Fund allocation of \$3 million to fund various capital projects such as the UCSF platform extension and crossover track, Vision Zero and Lombard tolling study.

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, 2019, the SFMTA had various operating grants receivable of \$34.3 million. In fiscal year 2019, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of \$2 million, and other federal, state, and local grants of \$11.7 million, to fund project expenses that are operating in nature. Proposition 1B is a 10-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 \$3.1 million in fiscal year 2019 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, 2017 for funds awarded between fiscal years 2008 and 2010. The Budget Act of 2013 extended the date to June 30, 2018. Subsequently, the Budget Act of 2014 reappropriated the remaining balances of fiscal years 2009, 2010, and 2011 to be further extended to June 30, 2019, and the remaining balance of fiscal year 2015 to be further extended to June 30, 2020. The recent approval of the California state budget extended the remaining balances of fiscal year 2010 and 2012 to June 30, 2021 and the remaining balances of fiscal years 2015, 2016, and 2017 to June 30, 2022. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal year 2019, \$6.1 million in drawdowns were made from the funds for various eligible projects costs. Other allowable costs include incidental expenses, but directly related to construction or acquisition including, but not limited to, planning, engineering, construction management, architectural and other design work, environmental impact reports and assessments, required mitigation expenses, appraisals, legal expenses, site acquisitions, necessary easements, and warranties, as approved by Cal OES. Indirect costs and management and administration are not allowable costs with Proposition 1B funds.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Commitments and Contingencies – The SFMTA has outstanding commitments of approximately \$422.2 million with third parties for various capital projects. Grant funding is available for the majority of this amount. The SFMTA also has outstanding commitments of approximately \$53.7 million with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures.

Leveraged Lease-Leaseback of BRED A 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 each sublease, Muni retained an option to purchase the Equipment on specified dates between November 2026 through January 2030 in the case of the Tranche 1 Equipment and in January 2030 in the case of the Tranche 2 Equipment. 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 have not been 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 years 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 and amortized over the life of each sublease unless the purchase option is executed or the sublease is otherwise terminated before its expiration date.

Prior to fiscal year 2019, six of the seven lease transactions had been terminated. On October 26, 2018, SFMTA terminated its one remaining leveraged lease transaction. The deferred inflows of resources amortized amount was \$3.7 million in fiscal year 2019 upon the lease termination.

(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, 2019, the subsidy for LHH was \$135.1 million.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Net Patient Services Revenue - Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals and bad debt. These allowances are based on current payment rates, including per diems, Diagnosis-Related Group (DRG) reimbursement amounts and payment received as a percentage of gross charges.

Third-Party Payor Agreements - LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. LHH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2019, LHH's patient receivables and charges for services were as follows (in thousands):

Patient Receivables, net				
	<u>Medi-Cal</u>	<u>Medicare</u>	<u>Other</u>	<u>Total</u>
Gross Accounts Receivable	\$ 74,520	\$ 4,360	\$ 2,284	\$ 81,164
Less:				
Provision for bad debt and contractual allowances	<u>(48,962)</u>	<u>(2,865)</u>	<u>(1,501)</u>	<u>(53,328)</u>
Total, net	<u>\$ 25,558</u>	<u>\$ 1,495</u>	<u>\$ 783</u>	<u>\$ 27,836</u>

Net Patient Service Revenue				
	<u>Medi-Cal</u>	<u>Medicare</u>	<u>Other</u>	<u>Total</u>
Gross Revenue	\$ 432,979	\$ 22,737	\$ 11,911	\$ 467,627
Less:				
Bad debt write-offs and contractual adjustments	<u>(258,078)</u>	<u>(18,230)</u>	<u>(11,744)</u>	<u>(288,052)</u>
Total, net	<u>\$ 174,901</u>	<u>\$ 4,507</u>	<u>\$ 167</u>	<u>\$ 179,575</u>

Because Medi-Cal reimbursement rates are less than LHH's established charges rates, LHH is eligible to receive supplemental federal funding. For the year ended June 30, 2019, LHH accrued and recognized \$31.1 million of revenue as a result of matching federal funds to local funds.

Unearned Credits and Other Liabilities - As of June 30, 2019, LHH recorded approximately \$46.6 million in other liabilities for third-party payor settlements payable.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Transactions with Other Funds – A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to LHH and charge amounts designed to recover those departments' costs. These charges totaled \$12.2 million for the year ended June 30, 2019 and have been included in services provided by other departments.

As of June 30, 2019, LHH has entered into various purchase contracts totaling \$0.2 million that are related to the old building remodel phase of the Replacement Project.

(g) San Francisco General Hospital

General Fund Subsidy - San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2019, the subsidy for SFGH was \$115.8 million.

Net Patient Service Revenue - Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractual adjustments, bad debt, and administrative write-offs. These allowances are based on current payment rates, including per diems, DRG amounts and payment received as a percentage of gross charges.

Third-Party Payor Agreements - SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Section 1115 Medicaid Waiver and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. SFGH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

During the year ended June 30, 2019, SFGH's patient receivables and charges for services were as follows (in thousands):

Patient Receivables, Net				
	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable.....	\$ 313,357	\$ 199,552	\$ 141,250	\$ 654,159
Less:				
Contractual Allowances.....	(288,966)	(185,825)	(82,414)	(557,205)
Provision for Bad Debt.....	-	-	(35,664)	(35,664)
Total, Net Accounts Receivable.....	<u>\$ 24,391</u>	<u>\$ 13,727</u>	<u>\$ 23,172</u>	<u>\$ 61,290</u>

Net Patient Service Revenue				
	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue.....	\$ 2,063,429	\$ 1,025,416	\$ 993,071	\$ 4,081,916
Less:				
Contractual Adjustment.....	(1,838,499)	(858,424)	(437,565)	(3,134,488)
Bad Debt Write Off.....	-	-	(127,103)	(127,103)
Total, Net Patient Service Revenue.....	<u>\$ 224,930</u>	<u>\$ 166,992</u>	<u>\$ 428,403</u>	<u>\$ 820,325</u>

California's initial 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 (FFS) cost-based reimbursements for inpatient hospital services; 2) Medi-Cal Disproportionate Share Hospital (DSH) 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 \$19.9 million for the year ended June 30, 2019. 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 Health Care Reform Waiver expired October 31, 2015. On December 30, 2015, the CMS approved California Medi-Cal 2020 Demonstration waiver, 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 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 of a 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 Health Care Reform waiver's DSRIP, known as PRIME (Public Hospital Redesign and Incentives in Medi-Cal);

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(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 \$122.1 million for the year ended June 30, 2019.

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 year ended June 30, 2019, reimbursement under the Short-Doyle Program amounted to approximately \$6.4 million and is included in net patient service revenue.

Unearned Credits and Other Liabilities - As of June 30, 2019, SFGH recorded approximately \$292.3 million in unearned credits and other liabilities, which was comprised of \$243.3 million in unearned credits mainly related to receipts under DSH/SNCP, LIHP, and AB915 programs, and \$49.0 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 \$275.1 million and estimated costs and expenses to provide charity care were \$78.5 million in fiscal year 2019.

Other Revenues – With California electing to implement a State-run Medicaid Expansion afforded by the ACA, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there is a mechanism that provides for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% of the savings realized by the county. A final reconciliation has been conducted for fiscal year 2016-17 showing \$0 realignment to be redirected. A final reconciliation will be conducted prior to June 30, 2020 for fiscal year 2017-18. For the year ended June 30, 2019, SFGH recognized \$58.5 million of realignment funding.

Contracts with the University of California San Francisco – The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2019, was approximately \$170.9 million.

Gift – From fiscal year 2014-15 through fiscal year 2015-16, SFGH has received \$62.4 million from the San Francisco General Hospital Foundation for the acquisition of furniture, fixtures and equipment (FF&E) for the new hospital. As of June 30, 2019, SFGH has spent \$45.8 million from the gift on acquisition of FF&E as stipulated by the donor and recorded the remaining \$16.6 million as restricted net position.

Commitments and Contingencies – As of June 30, 2019, SFGH had outstanding commitments with third parties for capital projects totaling \$6.8 million.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise) was established in 1977, following the transfer of all sewage-system-related assets and liabilities of the City to the Wastewater Enterprise pursuant to bond resolution, to account for the City's municipal sewage treatment and disposal system.

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves, on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers, cost of service, through user fees based on the volume and strength of sanitary flow. As of June 30, 2019, the Wastewater Enterprise serves approximately 148,068 residential accounts, which discharge about 16.3 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 25,897 non-residential accounts, which discharge about 7.6 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 2049.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2019, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	\$ 1,667,095
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge.....	89,456
Bond principal and interest remaining due at end of the fiscal year	2,735,352
Bond principal and interest paid in the fiscal year	60,347
Net revenues	150,365
Funds available for revenue debt service	253,646

Commitments and Contingencies – As of June 30, 2019, the Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling \$269.1 million.

Pollution Remediation Obligations – As of June 30, 2019, the Wastewater Enterprise recorded \$7.5 million in pollution remediation liability, consisting of \$7.5 million cleanup cost estimate at the Yosemite Creek site. The pollution remediation obligation reported in the accompanying statement of net position is based on estimated contractual costs.

Transactions with Other Funds – The Wastewater Enterprise purchased power from Hetch Hetchy Power totaling \$10.9 million for the year ended June 30, 2019. The Wastewater Enterprise purchased water from Water Enterprise totaling \$1.3 million for the year ended June 30, 2019. The Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and the total charge was \$13.9 million for the year ended June 30, 2019. 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 \$10.6 million for the year ended June 30, 2019 and have been included in services provided by other departments.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(14) SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

As discussed in Note 1, the financial statements present the Successor Agency and its component unit, an entity for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency's activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

In September 2015, the State passed Senate Bill 107 (SB 107), which clarifies and updates existing law governing the dissolution of redevelopment agencies. SB 107 includes specific language that allows the Successor Agency to issue bonds or other indebtedness for the purposes of low and moderate income housing and infrastructure in the City by allowing the pledge of revenues available in the Trust Fund that are not otherwise pledged subject to the approval of the Oversight Board. SB 107 also declares that Mission Bay North, Mission Bay South, Hunters Point Shipyard Phase 1, Candlestick Point - Hunters Point Shipyard Phase 2, and Transbay projects are finally and conclusively approved as enforceable obligations.

(a) Capital Assets Held by the Successor Agency

For the year ended June 30, 2019, the summary of changes in capital assets is as follows:

	Balance June 30, 2018	Additions	Transfers	Balance June 30, 2019
Capital assets not being depreciated:				
Land held for lease	\$ 18,525	\$ -	\$ -	\$ 18,525
Capital assets being depreciated:				
Furniture and equipment - General	2,584	-	(278)	2,306
Building and improvements	38,473	-	(38,473)	-
Total capital assets being depreciated	41,057	-	(38,751)	2,306
Less accumulated depreciation for:				
Furniture and equipment	(2,562)	(9)	278	(2,293)
Building and improvements	(17,798)	(709)	18,507	-
Total accumulated depreciation	(20,360)	(718)	18,785	(2,293)
Total capital assets being depreciated, net	20,697	(718)	(19,966)	13
Total capital assets, net	<u>\$ 39,222</u>	<u>\$ (718)</u>	<u>\$ (19,966)</u>	<u>\$ 18,538</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

In accordance with the Dissolution Law, on April 30, 2019, the Successor Agency transferred the operations of the Rincon Point South Beach Project to the City. This included the operations, leasehold interests, and the following assets and liabilities:

Assets:		
Cash and investments	\$	5,078
Capital assets		19,966
Other assets		104
Liabilities:		
Long-term liabilities - Cal Boating Loans Payable		(6,144)
Interest payable		(207)
Other liabilities		(457)
Total	\$	<u>18,340</u>

The transfer of these assets was recorded as a deduction in the statement of changes in fiduciary net position and as a special item in the Port of San Francisco Enterprise Fund. For the period from July 1, 2018 to April 30, 2019, the Successor Agency recorded total additions of \$4,584 and deductions of \$3,076 related to the transferred operations.

(b) Summary of the Successor Agency's Long-Term Obligations

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
Hotel tax revenue bonds ^(a)	2025	5.00%	\$ 23,105
Tax allocation revenue bonds ^(b)	2047	1.45% - 8.41%	859,951
Total long-term bonds and loans			<u>\$ 883,056</u>

Debt service payments are made from the following sources:

- (a) Hotel taxes from the occupancy of guest rooms in the hotels within the City.
- (b) Redevelopment property tax revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay, and Mission Bay North project areas.

Pledged Revenues for Bonds – The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e., the former tax increment). These revenues have been pledged until the year 2047, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately \$1.46 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2019, were \$158.6 million against the total debt service payment of \$96.2 million.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2025, the final maturity of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately \$27.3 million. The hotel tax revenue recognized during the year ended June 30, 2019 was \$6.0 million against the total debt service payment of \$6.0 million.

Events of Default and Remedies – The Successor Agency shall be considered to be in default if it fails to make any principal, interest, or redemption payment when due. For Tax Allocation Bonds, in the event of default, the trustee may declare the principal and accrued interest to be due and payable

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

immediately. For Hotel Tax Bonds, in the event of default, the Successor Agency must immediately transfer to the trustee all revenues held and thereafter received to be used for expenses necessary to protect the bondholders and payment of interest and principal.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2019, are as follows:

	July 1, 2018	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2019
Bonds payable:				
Tax revenue bonds	\$ 920,246	\$ -	\$ (60,295)	\$ 859,951
Hotel Tax Revenue Bonds	27,715	-	(4,610)	23,105
Less unamortized amounts:				
For issuance premiums	48,065	-	(2,543)	45,522
For issuance discounts	(3,089)	-	142	(2,947)
Total bonds payable	992,937	-	(67,306)	925,631
Accreted interest payable	57,709	8,723	-	66,432 ⁽¹⁾
Notes, loans, and other payables	6,392	-	(6,392)	- ⁽²⁾
Accrued vacation and sick leave pay	952	787	(590)	1,149
Successor Agency - long term obligations..	<u>\$ 1,057,990</u>	<u>\$ 9,510</u>	<u>\$ (74,288)</u>	<u>\$ 993,212</u>

⁽¹⁾ Amounts represent interest accretion on Capital Appreciation Bonds.

⁽²⁾ Cal Boating loan payable was transferred to the City on April 30, 2019.

As of June 30, 2019, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

June 30,	Tax Allocation Revenue Bonds		Hotel Occupancy Tax Revenue Refunding Bonds	
	Principal	Interest *	Principal	Interest
2020	\$ 59,572	\$ 36,956	\$ 3,365	\$ 1,155
2021	61,482	35,839	3,510	987
2022	58,881	36,145	3,690	812
2023	50,188	42,255	3,865	627
2024	32,834	43,201	4,220	434
2025-2029	154,813	162,255	4,455	222
2030-2034	155,154	123,679	-	-
2035-2039	149,001	80,231	-	-
2040-2044	113,911	37,699	-	-
2045-2047	24,115	1,858	-	-
Total	<u>\$ 859,951</u>	<u>\$ 600,118</u>	<u>\$ 23,105</u>	<u>\$ 4,237</u>

* Including payment of accreted interest.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

During the year ended June 30, 2010, the former Agency borrowed \$16.5 million from the Low and Moderate Income Housing Fund (LMIHF) to make payment of \$28.7 million to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon dissolution of the former Agency, the City elected to become the Housing Successor Agency and retained the former Agency's housing assets and functions, rights, powers, duties, and obligations. The Successor Agency made payments in the amount of \$1.8 million to the City during the year ended June 30, 2019, and the outstanding payable balance was \$6.4 million.

(c) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2019, the Successor Agency had outstanding encumbrances totaling approximately \$846.

Risk Management - The Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of \$10.0 million per occurrence (\$5.0 million for employment practices liability) and a \$0.03 million deductible per occurrence.

Operating Leases - The Successor Agency has a cancelable operating lease for its office site. Leases under the Master Lease Option Agreement with the San Francisco Port Commission were transferred to the City on April 30, 2019. Rent payments totaled \$0.9 million for the year ended June 30, 2019. The Successor Agency recorded \$0.9 million of operating lease rental income for the leases transferred to the City on April 30, 2019.

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, 2019, the Successor Agency disbursed \$32.6 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, 2019, the gross value of the notes and mortgage receivable was \$254.1 million and the allowance for uncollectible amounts was \$252.6 million.

Special Assessment Debt without Commitment - Various community facility district bonds have been issued by the former Agency on behalf of various property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the financial statements. Debt service payments will be made by the property owners. At June 30, 2019, the Successor Agency had outstanding community facility district bonds totaling \$182.3 million.

Transbay Transit Center Agreements - In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

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, 2019, the Successor Agency distributed \$12.5 million to the TJPA. The payment was recorded as a neighborhood development deduction on the statement of changes in fiduciary net position.

(15) TREASURE ISLAND DEVELOPMENT AUTHORITY

The Treasure Island Development Authority (TIDA) is a nonprofit public benefit corporation. TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. TIDA is governed by seven members of the TIDA Board of Directors who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. The specific purpose of TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City.

The services provided by TIDA include administering the acquisition of former Naval Station Treasure Island from the U.S. Navy and implementing the Treasure Island Development Project; renting existing Treasure Island facilities including commercial facilities and approximately 650 housing units to generate revenues to cover operating costs; maintaining Treasure Island utilities, facilities and other infrastructure; and overseeing the U.S. Navy's remediation activities on the former naval base.

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island (Development Plan). The Development Plan was endorsed by the TIDA Board and the San Francisco Board of Supervisors in December 2006. In May 2010, the TIDA Board and Board of Supervisors both unanimously endorsed a package of legislation that included an Update to the Development Plan and Term Sheet, terms of an Economic Development Conveyance Memorandum of Agreement (EDC MOA Term Sheet), and a Term Sheet between TIDA and the Treasure Island Homeless Development Initiative (TIHDI).

In April 2011, the TIDA Board and the Planning Commission certified the environmental impact report for the project and approved various project entitlements, including amendments to the Planning Code, Zoning Maps and General Plan, as well as a Development Agreement, Disposition and Development Agreement and Interagency Cooperation Agreement. These entitlements include detailed plans for land uses, phasing, infrastructure, transportation, sustainability, housing – including affordable housing, jobs and equal opportunity programs, community facilities and project financing. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report and approved the project entitlements. These project approvals established the framework and cleared the way for realization of a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 275 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. This has been followed by four smaller transfers with full conveyance of the former base expected to be completed in 2024. Existing structures on Yerba Buena were demolished between February and August 2016, and structures in the first area of development on Treasure Island were demolished between July 2016 and February 2017. The first infrastructure construction projects on Yerba Buena Island – new water reservoirs and new roadways, utilities, and related facilities – are underway. The first residential project on Yerba Buena Island, a 124-unit condominium building, began construction in June 2019 and is expected to be ready for occupancy in 2021. Geotechnical improvement of soil conditions in the first subphase area on Treasure Island has progressed over the past 18 months making way for the construction of new utility and roadway infrastructure. The first residential project on Treasure Island – a 105-unit, 100% affordable building developed by Chinatown Community Development Center in partnership with Swords to Plowshares – will break ground in the first quarter of 2020.

TICD has submitted a Street Improvement Permit (SIP) application and initiated the subdivision mapping process for the third subphase area with the objective of securing SIP and final subdivision map approval by the middle of 2020. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

As of June 30, 2019, TIDA has the following payables to other City departments:

Payable to	Purpose	6/30/2019		Total
		Current	Noncurrent	
SFCTA	YBI and mobility management expenses	\$ 1,725	\$ -	\$ 1,725
General Fund	Cash coverage	2,149	-	2,149
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		<u>\$ 3,874</u>	<u>\$ 2,599</u>	<u>\$ 6,473</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(16) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City's pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 9,768
	Port of San Francisco	69
	Laguna Honda Hospital	8
		<u>9,845</u>
Nonmajor Governmental Funds	General Fund	72
	Nonmajor Governmental Funds	8,760
	Municipal Transportation Agency	400
	Port of San Francisco	<u>412</u>
		<u>9,644</u>
San Francisco Water Enterprise	General Fund	22
	Nonmajor Governmental Funds	614
	Port of San Francisco	24
		<u>660</u>
Hetch Hetchy Water and Power Enterprise	General Fund	694
	Nonmajor Governmental Funds	5,602
	San Francisco Wastewater Enterprise	955
		<u>7,251</u>
Municipal Transportation Agency	Nonmajor Governmental Funds	<u>45,550</u>
Port of San Francisco	Nonmajor Governmental Funds	14,958
	Hetch Hetchy Water and Power Enterprise	350
		<u>15,308</u>
San Francisco Wastewater Enterprise	General Fund	9
	Nonmajor Governmental Funds	208
	Port of San Francisco	80
		<u>297</u>
Total		<u><u>\$ 88,555</u></u>

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, 2019, Hetch Hetchy loaned \$5.6 million to other City funds.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

The SFMTA has a receivable from nonmajor governmental funds of \$45.6 million for capital and operating grants.

Due from component units:

Receivable Entity	Payable Entity	Amount
General Fund	Component unit – TIDA	\$ 2,149 ⁽¹⁾
Nonmajor Governmental Funds	Component unit – TIDA	1,725 ⁽¹⁾
Nonmajor Governmental Funds	Successor Agency	1,643 ⁽²⁾
San Francisco Water Enterprise	Successor Agency	4 ⁽²⁾
San Francisco Wastewater Enterprise	Successor Agency	2 ⁽²⁾

Advance to component units:

Receivable Entity	Payable Entity	Amount
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	\$ 2,599 ⁽¹⁾
Nonmajor Governmental Funds	Successor Agency	6,442 ⁽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)									Total
	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	Port of San Francisco	Laguna Honda Hospital	
General Fund.....	\$ -	\$ 684,719	\$ 47	\$ 1,200	\$ 4,522	\$ 527,516	\$ 115,842	\$ -	\$ 135,125	\$ 1,468,971
Nonmajor governmental funds.....	17,436	63,858	-	-	-	104,247	14	440	-	185,995
Internal Service Funds.....	1,382	-	-	-	-	-	-	-	-	1,382
San Francisco International Airport.....	49,112	-	-	-	-	-	-	-	-	49,112
Water Enterprise.....	-	334	-	-	20,000	-	-	-	-	20,334
Hetch Hetchy Water and Power Enterprise.....	-	32	-	-	-	-	-	-	-	32
San Francisco General Hospital Medical Center.....	29,870	-	-	-	-	-	-	-	1,105	30,975
Wastewater Enterprise.....	3,724	272	-	-	-	-	-	-	-	3,996
Laguna Honda Hospital..	2,814	-	-	-	-	-	-	-	-	2,814
Total transfers out	\$ 104,338	\$ 749,215	\$ 47	\$ 1,200	\$ 24,522	\$ 631,763	\$ 115,856	\$ 440	\$ 136,230	\$ 1,763,611

The \$1.47 billion General Fund transfer out includes a total of \$778.5 million in operating subsidies to SFMTA, SFGH, and Laguna Honda Hospital (see Note 13). The transfer of \$684.7 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are mainly to provide support for various City programs and to provide resources for the payment of debt service.

San Francisco International Airport transferred \$49.1 million to the General Fund, representing a portion of concession revenues (see Note 13(a)). The General Fund received transfers in of \$6.6 million for interest earned by the SFGH but credited to the General Fund. The General Fund also received \$23.0 million from SFGH and \$2.0 million from Laguna Honda Hospital to fund the DPH project and \$0.8 million for interest earned by the Laguna Honda Hospital but credited to the General Fund. SFGH transferred \$0.3 million to the General Fund for supplementation of interdepartmental work order. Laguna Honda Hospital received \$505 from SFGH to supplement LHH intergovernmental work order and \$600 to re-appropriate funds within DPH.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

SFMTA received \$104.2 million transfers from nonmajor governmental funds, of which \$90.9 million was for capital activities, \$13.3 million was for operating activities.

The Water Enterprise transferred \$20.0 million to Hetch Hetchy Water and Power Enterprise to fund various upcountry projects, \$302 to the Art Commission for art enrichment and \$32 to the Office of the City Administrator for the Surety Bond Program. In turn, the Water Enterprise received \$1.2 from the General Fund for low income assistance programs.

The Wastewater Enterprise transferred \$3.7 million to the General Fund related to the Land Reuse of the property adjacent to the Southeast Water Pollution Control Plant ("Southeast Plant"), \$150 to the Neighborhood Development Fund for the Watershed Stewardship Grants, \$90 to the Art Commission for art enrichment and \$32 to the Office of the City Administrator for the Surety Bond Program.

The Hetch Hetchy Water and Power Enterprise received \$4.5 million from the City's Education Revenue Augmentation fund for utility acquisition assessment and transferred \$32 to the Office of the City Administrator for the Surety Bond Program.

(17) COMMITMENTS AND CONTINGENT LIABILITIES

Operating Leases

The City has noncancelable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Governmental Activities

Fiscal Years	
2020.....	\$ 66,258
2021.....	52,240
2022.....	46,660
2023.....	36,576
2024.....	27,052
2025-2029.....	51,055
2030-2034.....	3,395
2035-2039.....	2,821
2040-2044.....	1,974
Total.....	<u>\$ 288,031</u>

Operating lease expense incurred for governmental activities for fiscal year 2018-19 was approximately \$59.6 million.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Business-type Activities

Fiscal Years	Airport	Port	SFMTA	Total Business-type Activities
2020.....	\$ 205	\$ 2,726	\$ 17,651	\$ 20,582
2021.....	209	2,726	9,171	12,106
2022.....	213	2,726	7,712	10,651
2023.....	218	2,726	7,851	10,795
2024.....	222	2,726	4,597	7,545
2025-2029.....	200	13,628	20,072	33,900
2030-2034.....	-	13,628	17,833	31,461
2035-2039.....	-	13,628	1,652	15,280
2040-2044.....	-	13,628	1,912	15,540
2045-2049.....	-	13,628	14,034	27,662
2050-2054.....	-	13,628	-	13,628
2055-2059.....	-	13,628	-	13,628
2060-2064.....	-	13,628	-	13,628
2065-2069.....	-	227	-	227
Total.....	<u>\$ 1,267</u>	<u>\$ 122,881</u>	<u>\$ 102,485</u>	<u>\$ 226,633</u>

Operating lease expense incurred for the Airport, Port, and SFMTA for fiscal year 2018-19 was \$0.2 million, \$2.7 million, and \$21.0 million, respectively.

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

Governmental Activities

Fiscal Years	
2020.....	\$ 2,744
2021.....	2,356
2022.....	1,480
2023.....	968
2024.....	649
2025-2029.....	2,387
2030-2034.....	461
Total.....	<u>\$ 11,045</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Business-type Activities

Fiscal Years	Airport	Port	SFGH	SFMTA	Total Business-type Activities
2020.....	\$ 89,556	\$ 47,323	\$ 1,615	\$ 5,428	\$ 143,922
2021.....	82,626	42,890	1,663	4,182	131,361
2022.....	77,025	38,800	1,713	2,805	120,343
2023.....	69,834	32,526	1,765	2,406	106,531
2024.....	60,790	25,021	1,818	1,724	89,353
2025-2029.....	245,375	96,800	9,294	6,250	357,719
2030-2034.....	189,379	82,421	-	6,250	278,050
2035-2039.....	-	64,160	-	6,250	70,410
2040-2044.....	-	43,010	-	6,250	49,260
2045-2049.....	-	37,159	-	14,583	51,742
2050-2054.....	-	16,289	-	-	16,289
2055-2059.....	-	14,575	-	-	14,575
2060-2064.....	-	14,519	-	-	14,519
2065-2069.....	-	10,764	-	-	10,764
2070-2074.....	-	5,242	-	-	5,242
2075-2079.....	-	2,456	-	-	2,456
Total.....	<u>\$ 814,585</u>	<u>\$ 573,955</u>	<u>\$ 17,868</u>	<u>\$ 56,128</u>	<u>\$ 1,462,536</u>

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 \$16.6 million and \$16.7 million, respectively, in fiscal year 2018-19. Airport's concession agreements provide that the Minimal Annual Guarantee (MAG) does not apply if the actual enplanements achieved during a one-month period is less than 80% of the actual enplanements of the same reference month in the reference year, and such shortfall continues for three consecutive months. The MAG is reinstated once monthly enplanements equal or exceed 80% for the reference month enplanement for two consecutive months. The Airport also exercised a five-year car rental lease agreement option effective January 1, 2014. Under this agreement, the rental companies pay 10% of gross revenues or a minimum guaranteed rent, whichever is higher. During the current holdover term, the MAG is \$0. The holdover term will continue until a new On-Airport Rental Car Operation Lease Agreement Request for Bids process is concluded and awarded. The MAG attributable to the rental car companies was approximately \$0 for fiscal year 2018-19.

Other Commitments

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of \$2.94 billion, private equity in the amount of \$3.48 billion, private credit in the amount of \$1.16 billion, and absolute return investments in the amount of \$207.1 million, which totaled \$7.79 billion at June 30, 2019.

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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

(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 limit of \$1.0 billion per single occurrence and a deductible of \$500 per single occurrence. This policy includes flood coverage up to a \$10 million sub-limit. The Airport carries public officials liability and employment practices liability coverage of \$5.0 million, subject to a deductible of \$100 per single occurrence for each wrongful act other than employment practices' violations, and \$250 per each occurrence for each employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment, and watercraft liability for Airport fire and rescue vessels, active assailant liability insurance, and target range liability for the San Francisco Police Department's firearms range located at the Airport. The Airport is not required to nor carry insurance or self-insure against any risks due to land movement or seismic activity. The Airport's purchase of War Perils liability in the London markets extends coverage to terrorist acts.

The Port carries the following insurance: 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 (\$150 per occurrence for the Port's cargo cranes); and 4) public officials and employee liability coverage of \$5.0 million, subject to a deductible of \$50 per occurrence. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high value Port vehicles, water pollution, and data processing equipment. In addition to the above, the Port requires its tenants, licensees, and contractors on all contracts to carry commercial general liability insurance in various amounts naming the Port Commission and the City as additional insured parties. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA risk treatment program encompasses both self-insured and insured methods. Insurance purchased is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages the risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA's general policy is to first evaluate self-insurance for the risks of loss to which it is exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Risks	Coverage
a. General/Transit Liability	Self-insured
b. Property	Self-insured and purchase insurance
c. Workers' Compensation	Self-insured
d. Employee (transit operators)	Purchase insurance
e. Directors and Officers	Purchase insurance

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately \$3.0 million. The annual budget for claims was \$11.9 million for fiscal year 2019. As of June 30, 2019, the reserve was \$27.1 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 its facilities, Breda light rail cars, and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. For SFMTA contractors, SFMTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and SFMTA's property. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per a Memorandum of Understanding with the Transport Workers' Union and has purchased insurance to cover errors and omissions of its board members and senior management.

Estimated Claims Payable

Numerous lawsuits are pending or threatened against the City. The City's liability as of June 30, 2019 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, 2017, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2017-2018	\$ 297,169	\$ 134,444	\$ (46,602)	\$ 385,011
2018-2019	385,011	28,608	(70,118)	343,501

Breakdown of the estimated claims payable at June 30, 2019 is follows:

<u>Governmental activities:</u>	
Current portion of estimated claims payable.....	\$ 87,006
Long-term portion of estimated claims payable.....	147,379
Total	<u>\$ 234,385</u>
<u>Business-type activities:</u>	
Current portion of estimated claims payable.....	\$ 48,686
Long-term portion of estimated claims payable.....	60,430
Total	<u>\$ 109,116</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2019 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, 2019 was \$508.4 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, 2017, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2017-2018	\$ 435,751	\$ 119,174	\$ (91,363)	\$ 463,562
2018-2019	463,562	144,716	(99,920)	508,358

Breakdown of the accrued workers' compensation liability at June 30, 2019 is as follows:

<u>Governmental activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 51,733
Long-term portion of accrued workers' compensation liability.....	229,735
Total	<u>\$ 281,468</u>
<u>Business-type activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 39,274
Long-term portion of accrued workers' compensation liability.....	187,616
Total	<u>\$ 226,890</u>

(19) SUBSEQUENT EVENTS

(a) Debt Issuance

In July 2019, the City issued \$34.0 million taxable and \$86.5 million tax-exempt commercial paper (CP) with interest rates of 2.37% and 1.17% and maturity dates of August 2019 and October 2019, respectively. The CP was issued to refinance \$30.3 million of maturing CP and to finance the 49 South Van Ness construction project, affordable rental housing projects and the acquisition of real property for the Hall of Justice project. The \$34.0 million taxable CP was refinanced with \$24.2 million taxable CP with interest rate of 2.15% and maturity of October 2019 in August 2019.

In September 2019, the Airport issued \$1.2 billion of its Series 2019E, Series 2019F, Series 2019G and 2019H Bonds for the purpose of financing and refinancing (through the repayment of commercial paper notes) a portion of the costs of capital improvements to the Airport, funding deposits to a debt service reserve account and the Airport's contingency reserve account, funding deposits to capitalized interest accounts, paying costs of issuance, refinancing swap termination payments (through repayment of commercial paper notes) and current refunding \$328.0 million in outstanding Bonds. Moody's, S&P, and Fitch assigned credit ratings of "A1", "A+", and "A+" to these bonds. In connection with this transaction, the variable rate Issue 37C Bonds were refinanced with fixed rate bonds, and the letter of credit supporting the Issue 37C Bonds was terminated. In addition, \$11.9 million was transferred from the 2009 Reserve Account to the Issue 1 Reserve Account.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

In October 2019, the City issued \$15.9 million of taxable CP with interest rate of 1.28% and maturity of December 2019, and \$28.2 million of tax-exempt CP with interest rates of 1.30% and 1.25%, with maturity of October 2019 to refund \$43.2 million of maturing CP for capital equipment for the San Francisco General Hospital, the 49 South Van Ness building construction project, and the animal care and control project. The \$28.2 million tax-exempt CP was retired on its maturity in October 2019.

In October 2019, the City issued \$24.5 million of taxable and \$63.1 million of tax-exempt CP with interest rate of 1.95% and 1.25% and maturity of January 2020 and October 2019, respectively, for new money and to refund \$24.4 million of maturing CP. The CP was issued to finance the 49 South Van Ness building construction project, the affordable rental housing project, and Hall of Justice construction project. The \$63.1 million tax-exempt CP was retired on its maturity in October 2019.

In October 2019, the City issued Certificates of Participation (49 South Van Ness Project) Series 2019A (the Certificates) in the amount of \$247.8 million, the proceeds of which will be used to: finance or refinance the costs of acquisition, demolition, construction and installation of improvements to an office building to be used by the City, located at 49 South Van Ness Street, San Francisco, California (the Project); retire certain commercial paper certificates of participation of the City, the proceeds of which financed a portion of the cost of the Project; fund the Reserve Account established under the Trust Agreement for the Certificates; pay capitalized interest through December 1, 2020; pay for costs of execution and delivery of the Certificates. The Certificates bear interest rates ranging from 3.0% to 5.0% and will mature from April 2021 through April 2050.

In October 2019, the City issued General Obligation Bonds Series 2019B (Clean and Safe Neighborhood Parks) and Series 2019C (Affordable Housing) in the amount of \$3.1 million and \$92.7 million, respectively. The Series 2019B bears an interest rate of 5.0% and will mature on June 2020 and the Series 2019C bears interest rates ranging from 1.55% to 2.70% and will mature from June 2020 through June 2039. The Series 2019B was issued to provide funds to improve the safety and quality of neighborhood parks across the City and waterfront open spaces under the jurisdiction of the Port of San Francisco and pay certain costs related to the issuance of the Series 2019B. The Series 2019C was issued to: finance or refinance the construction, acquisition and or rehabilitation of affordable rental housing units; implement infrastructure improvements supporting affordable housing units; allow moderate-income households the opportunity to purchase their first home through down payment assistance and pay certain costs related to the issuance of the Series 2019C.

In November 2019, the City issued \$116.5 million Refunding Certificates of Participation Series 2019-R1 (Multiple Capital Improvement Projects) (the Certificates) to provide funds to prepay certain certificates of participation the proceeds of which financed capital projects of the City consisting of improvements to Laguna Honda Hospital and related property owned by the City and various City streets; finance the acquisition of capital equipment, including mechanical street sweepers, and other capital expenditures; and pay the costs of execution and delivery of the Certificates. The Certificates bear interest rates ranging from 2.125% to 5.0% and will mature from April 2020 through April 2035. The refunding resulted in accounting gain of \$0.2 million and a net present value savings of \$28.1 million or 19.9% of refunded bonds.

In December 2019, the City issued \$14.0 million of tax-exempt CP with interest rate of 1.03% and maturity of February 2020 to refund \$13.9 million of maturing CP for capital equipment for the San Francisco General Hospital, and the animal care and control project. \$1.9 million tax-exempt CP was retired on its maturity in December 2019.

(b) Elections

On November 5, 2019, the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Proposition A – An ordinance that authorizes the City to issue \$600.0 million in General Obligation Bonds to finance projects to acquire, build and rehabilitate rental housing for extremely low, low and middle-income individuals and families; repair and rebuild public housing developments; acquire and

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

construct housing for seniors; acquire and rehabilitate affordable rental housing to prevent the loss of such housing and to assist middle-income City residents and workers to secure permanent housing; and support affordable housing for educators and employees of the San Francisco and Unified School District and City College of San Francisco.

Proposition D – An ordinance that imposes a business tax on commercial ride-share companies for fares generated by rides that start in San Francisco as follows: 1.5% on a shared-ride fare; and 3.25% on a private-ride fare. The same business tax will apply to driver-less vehicle companies. The City will impose these taxes on fares by these companies until November 5, 2045. Passenger rides in zero-emission vehicles will be subject to a 1.5% business tax until December 31, 2024. The City will deposit the tax revenues (estimated at \$30.0 million to \$35.0 million annually) into a Traffic Mitigation Congestion Fund. The San Francisco Municipal Transportation Agency will receive half of the revenues to improve Muni service and reliability, maintain and expand Muni vehicles and facilities, and improve Muni station access; and the San Francisco County Transportation Authority will receive half of the revenues to improve pedestrian and bicycle safety.

Proposition E – An ordinance that amends the Planning Code to allow 100% Affordable Housing projects and Educator Housing projects in public zoning districts and to expedite City approval of these projects. Under Proposition E, 100% Affordable Housing and Educator Housing projects: will be allowed in residential zoning districts and in public zoning districts, except on property used for parks; will be located on lots that are at least 10,000 square feet; will not demolish or replace existing residential units; will be subject to less restrictive rules regarding size, ground-floor height, density and other factors than other residential buildings; will allow a limited amount of mixed or commercial use that supports affordable housing; and will not be subject to any conditional use restriction unless the restriction has been adopted by the voters. Proposition E requires a review of proposed 100% Affordable Housing and Educator Housing projects within 90 to 180 days, depending on the size of the project and authorizes the expedited review of the first 500 units of proposed Educator Housing. The Planning Department can administratively approve the Affordable and Educator Housing projects, without review by the Planning Commission.

(c) Others

Purchase of Watershed Property in Alameda County

In July 2019, the San Francisco Public Utilities Commission approved the purchase of 787 acres of agricultural land commonly known as the Wool Ranch in the unincorporated town of Sunol, Alameda County for \$9.7 million. Acquisition of watershed lands upstream and downstream of SFPUC reservoirs will protect source water quality and native species and their habitats.

Termination of Interest Rate Swap Agreements

In August 2019, the Airport terminated a swap associated with the Issue 37C Bonds, with a remaining notional amount of \$82.5 million. The Airport paid a termination amount of \$13.6 million to the counterparty, JPMorgan Chase Bank, N.A. In August 2019, the Airport also terminated a swap associated with the Series 2010A-3 Bonds, with a remaining notional amount of \$73.1 million. The Airport paid a termination amount of \$11.4 million to the counterparty, Merrill Lynch Capital Services, Inc. The termination payments were financed with taxable commercial paper that was refinanced with the proceeds of the Series 2019E, 2019F, 2019G and 2019H.

Cash Defeasance of Bonds

In September 2019, the Airport legally defeased \$5 of its Second Series Revenue Refunding Bonds, Series 2010D, \$160 of its Second Series Revenue Bonds, Series 2010F, \$5 of its Second Series Revenue Refunding Bonds, Series 2011C, \$5 of its Second Series Revenue Refunding Bonds, Series 2011F, \$5 of its Second Series Revenue Refunding Bonds, Series 2012A, \$5 of its Second Series Revenue Refunding Bonds, Series 2009D, \$5 of its Second Series Revenue Bonds, Series 2013A, \$10 of its Second Series Revenue Bonds, Series 2014A, \$5 of its Second Series Revenue Bonds, Series 2017A, \$5 of its Second Series Revenue Bonds, Series 2018D, \$5 of its Second Series Revenue

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Refunding Bonds, Series 2018G, and \$5 of its Second Series Revenue Refunding Bonds, Series 2018A, using available cash on hand together with amounts held by the Trustee for purposes of paying future debt service on such bonds.

Special Use and Special Facilities Districts

In September 2019, the Port executed documents, pursuant to Section 2.14 of the Port's Revenue Bond Master Indenture (Master Indenture), which made effective the Port Commission's earlier designation of the Pier 70 Special Use District (SUD) and Mission Rock Project Site as Special Facilities under Section 2.14 of the Revenue Bond Master Indenture. The revenues from the Pier 70 SUD and Mission Rock Project Site constitute Special Facility Revenues and are not included in the net revenues pledged to the Revenue Bonds.

Rating Upgrade

In November 2019, Moody's Investors Services Inc. (Moody's) raised its long-term rating on the Water Revenue Bonds from "Aa3" to "Aa2" with a "stable" outlook.



**REQUIRED SUPPLEMENTARY
INFORMATION**



This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability
June 30, 2019 *
(Dollars in Thousands)

For the year ended June 30, 2019					
CalPERS Miscellaneous Plans					
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.1042%	-0.1573%	0.0215%	0.2820%	0.0003%
Proportionate share of the net pension liability (asset)	\$ 4,030,207	\$ (15,154)	\$ 2,069	\$ 27,178	\$ 28
Covered payroll	\$ 3,045,153	\$ 390	\$ 4,039	\$ 5,742	\$ -
Proportionate share of the net pension liability as a percentage of covered payroll	132.35%	-3885.64%	51.22%	473.32%	0.00%
Plan fiduciary net position as a percentage of total pension liability	85.20%	72.26%	75.26%	75.26%	75.26%
For the year ended June 30, 2018					
CalPERS Miscellaneous Plans					
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.0674%	-0.1388%	0.0216%	0.2751%	0.0003%
Proportionate share of the net pension liability (asset)	\$ 4,697,131	\$ (13,766)	\$ 2,142	\$ 27,280	\$ 28
Covered payroll	\$ 2,880,112	\$ 344	\$ 4,202	\$ 5,042	\$ -
Proportionate share of the net pension liability as a percentage of covered payroll	163.09%	-4001.74%	50.97%	541.05%	0.00%
Plan fiduciary net position as a percentage of total pension liability	81.78%	73.31%	73.31%	73.31%	73.31%
For the year ended June 30, 2017					
CalPERS Miscellaneous Plans					
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.2175%	-0.1469%	0.0204%	0.2691%	0.0003%
Proportionate share of the net pension liability (asset)	\$ 5,476,654	\$ (12,711)	\$ 1,765	\$ 23,281	\$ 27
Covered payroll	\$ 2,681,695	\$ 329	\$ 3,644	\$ 3,769	\$ -
Proportionate share of the net pension liability as a percentage of covered payroll	204.22%	-3863.53%	48.44%	617.70%	0.00%
Plan fiduciary net position as a percentage of total pension liability	77.61%	74.06%	74.06%	74.06%	74.06%
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					

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability (Continued)
June 30, 2019 *
(Dollars in Thousands)

	For the year ended June 30, 2015				
	CalPERS Miscellaneous Plans				Treasure Island
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	
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 Changes – There were no changes in benefits during the measurement period ended June 30, 2018. The impact of benefit changes for the year ended June 30, 2017, which was \$1.22 billion, was recognized immediately as pension expense.

Changes of Assumptions – For the year ended June 30, 2018, there were no changes in the discount rate. For the year ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%.

CalPERS Miscellaneous Plans

Benefit Changes – There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specific time period (a.k.a. Golden Handshakes).

Changes of Assumptions – In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate for the measurement period ended June 30, 2018. The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only five years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Changes in Net Pension Liability and Related Ratios
June 30, 2019 *
(Dollars in Thousands)

City CalPERS Safety Plan	2019	2018	2017	2016	2015
Total pension liability:					
Service cost.....	\$ 34,006	\$ 33,886	\$ 31,141	\$ 30,987	\$ 32,688
Interest on the total pension liability.....	94,305	88,729	85,094	80,057	76,177
Changes of assumptions.....	2,492	75,057	-	(19,949)	-
Differences between expected and actual experience	6,909	(14,353)	950	(14,218)	-
Benefit payments, including refunds of employee contributions.....	(56,625)	(51,579)	(47,774)	(44,699)	(41,387)
Net change in total pension liability.....	81,087	131,740	69,411	32,178	67,478
Total pension liability, beginning.....	1,320,856	1,189,116	1,119,705	1,087,527	1,020,049
Total pension liability, ending.....	<u>\$1,401,943</u>	<u>\$1,320,856</u>	<u>\$1,189,116</u>	<u>\$ 1,119,705</u>	<u>\$ 1,087,527</u>
Plan fiduciary net position:					
Plan to plan resource movement.....	\$ (3)	\$ -	\$ -	\$ (4)	\$ -
Contributions from the employer.....	31,189	30,575	23,640	20,718	20,613
Contributions from employees.....	9,359	10,307	14,310	15,061	15,216
Net investment income.....	85,351	104,383	4,731	20,469	138,628
Benefit payments, including refunds of employee contributions.....	(56,625)	(51,579)	(47,774)	(44,699)	(41,387)
Administrative expenses.....	(1,585)	(1,366)	(567)	(1,048)	-
Other miscellaneous income/(expense).....	(3,011)	-	-	-	-
Net change in plan fiduciary net position.....	64,675	92,320	(5,660)	10,497	133,070
Plan fiduciary net position, beginning.....	1,017,528	925,208	930,868	920,371	787,301
Plan fiduciary net position, ending.....	<u>\$1,082,203</u>	<u>\$1,017,528</u>	<u>\$ 925,208</u>	<u>\$ 930,868</u>	<u>\$ 920,371</u>
Plan net pension liability, ending.....	<u>\$ 319,740</u>	<u>\$ 303,328</u>	<u>\$ 263,908</u>	<u>\$ 188,837</u>	<u>\$ 167,156</u>
Plan fiduciary net position as a percentage of the total pension liability.....	77.19%	77.04%	77.81%	83.14%	84.63%
Covered payroll.....	\$ 106,765	\$ 107,812	\$ 110,139	\$ 109,462	\$ 111,311
Plan net pension liability as a percentage of the covered payroll.....	299.48%	281.35%	239.61%	172.51%	150.17%

Notes to Schedule:

Benefit Changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions – In 2018, Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate for the measurement period ended June 30, 2018. The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only five years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Changes in Total Pension Liability and Related Ratios
June 30, 2019 *
(Dollars in Thousands)

City Replacement Benefits Plan*	2019	2018	2017
Plan total pension liability:			
Service cost.....	\$ 1,298	\$ 1,605	\$ 956
Interest.....	2,998	2,218	2,112
Changes of benefits.....	564	15,326	10,310
Changes of assumptions.....	5,540	(10,290)	11,516
Benefit payments.....	(2,442)	(3,164)	(1,332)
Net change in total pension liability.....	7,958	5,695	23,562
Total pension liability, beginning.....	84,295	78,600	55,038
Plan total pension liability, ending.....	\$ 92,253	\$ 84,295	\$ 78,600
 Covered-employee payroll.....	 \$ 3,082,273	 \$ 2,919,519	 \$ 2,681,695
 Plan total pension liability as a percentage of the covered-employee payroll.....	 2.99%	 2.89%	 2.93%

Notes to Schedule:

No assets are accumulated in a trust that meet the criteria in GASB Statement No. 73 to pay related benefits.

Benefit Changes – There were no changes to benefits terms for the measurement period ended June 30, 2018.

Changes of Assumptions – The discount rate was changed from 3.58% in the measurement period ended June 30, 2017 to 3.87% in the measurement period ended June 30, 2018.

* Fiscal year 2016-17 was the first year of implementation of GASB Statement No. 73, therefore only three years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions – Pension Plans
June 30, 2019 *
(Dollars in Thousands)

	For the year ended June 30, 2019					
	City SFERS Plan	City	CalPERS Miscellaneous Plans Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions ⁽¹⁾	\$ 607,408	\$ 28	\$ 479	\$ 1,637	\$ 7	\$ 34,933
Contributions in relation to the actuarially determined contributions ⁽¹⁾	(607,408)	(28)	(479)	(1,637)	(7)	(34,933)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,186,405	\$ 359	\$ 4,396	\$ 6,384	\$ -	\$ 104,989
Contributions as a percentage of covered payroll	19.06%	7.80%	10.89%	25.65%	0.00%	33.27%

	For the year ended June 30, 2018					
	City SFERS Plan	City	CalPERS Miscellaneous Plans Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions ⁽¹⁾	\$ 582,568	\$ 42	\$ 403	\$ 1,283	\$ 6	\$ 30,743
Contributions in relation to the actuarially determined contributions ⁽¹⁾	(582,568)	(42)	(403)	(1,283)	(6)	(30,743)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,045,153	\$ 390	\$ 4,039	\$ 5,742	\$ -	\$ 106,765
Contributions as a percentage of covered payroll	19.13%	10.77%	9.99%	22.34%	0.00%	28.80%

	For the year ended June 30, 2017					
	City SFERS Plan	City	CalPERS Miscellaneous Plans Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions ⁽¹⁾	\$ 519,073	\$ 35	\$ 293	\$ 970	\$ 2	\$ 27,190
Contributions in relation to the actuarially determined contributions ⁽¹⁾	(519,073)	(35)	(293)	(970)	(2)	(27,190)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,880,112	\$ 344	\$ 4,202	\$ 5,042	\$ -	\$ 107,812
Contributions as a percentage of covered payroll	18.02%	10.17%	6.97%	19.24%	0.00%	25.22%

	For the year ended June 30, 2016					
	City SFERS Plan	City	CalPERS Miscellaneous Plans Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions ⁽¹⁾	\$ 496,343	\$ 33	\$ 280	\$ 828	\$ 2	\$ 23,640
Contributions in relation to the actuarially determined contributions ⁽¹⁾	(496,343)	(33)	(280)	(828)	(2)	(23,640)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,681,695	\$ 329	\$ 3,644	\$ 3,769	\$ -	\$ 110,139
Contributions as a percentage of covered payroll	18.51%	10.03%	7.68%	21.97%	0.00%	21.46%

⁽¹⁾ Contractually required contributions is an actuarially determined contribution for all cost-sharing plans.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions – Pension Plans (Continued)
June 30, 2019 *
(Dollars in Thousands)

	For the year ended June 30, 2015					
	City SFERS Plan	City	CalPERS Miscellaneous Plans 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 actuarially determined contribution for all cost-sharing plans.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only five years of information is shown.

** In fiscal year 2014-15, the actuarially determined contributions were based on an estimate. The City made a \$0.1 million adjustment to align the estimated employer contribution amount with the actual employer contribution per the 2015 agent-multiple employer CalPERS report for the CalPERS Safety Plan. Due to the early implementation of GASB Statement No. 82, the City decreased the actuarially determined contributions for the City SFERS plan to deduct the employer pickup in the amount of \$8.6 million.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions – Pension Plans (Continued)
June 30, 2019 *
(Dollars in Thousands)

Methods and assumptions used to determine FY 2018-19 contribution rates to SFERS Plan

Valuation date.....	July 1, 2017
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2017-18 contribution rates to SFERS Plan

Valuation date.....	July 1, 2016
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2016-17 contribution rates to SFERS Plan

Valuation date.....	July 1, 2015
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2015-16 contribution rates to SFERS Plan

Valuation date.....	July 1, 2014
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions – Pension Plans (Continued)
June 30, 2019 *
(Dollars in Thousands)

Methods and assumptions used to determine FY 2014-15 contribution rates to SFERS Plan

Valuation date.....	July 1, 2013
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Rolling 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.58% (net of investment expenses)
Inflation.....	3.33% compounded annually
Projected salary increase.....	Wage inflation component: 3.83%

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions – Pension Plans (Continued)
June 30, 2019 *
(Dollars in Thousands)

Methods and assumptions used to determine FY 2018-19 contribution rates to CalPERS plans

Valuation date.....	June 30, 2017 updated to June 30, 2018
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.15% (net of pension plan investment expense, including inflation)
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.50%
Payroll growth.....	3.00%

Methods and assumptions used to determine FY 2017-18 contribution rates to CalPERS plans

Valuation date.....	June 30, 2016 updated to June 30, 2017
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.75%
Payroll growth.....	3.00%

Methods and assumptions used to determine FY 2016-17 contribution rates to CalPERS plans

Valuation date.....	June 30, 2015 updated to June 30, 2016
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.75%
Payroll growth.....	3.00%

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions – Pension Plans (Continued)
June 30, 2019 *
(Dollars in Thousands)

Methods and assumptions used to determine FY 2015-16 contribution rates to CalPERS plans

Valuation date.....	June 30, 2014 updated to June 30, 2015
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous)
	Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Market Value
Investment rate of return.....	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase.....	3.30% to 14.20% depending on age, service, and type of employment
Inflation.....	2.75%
Payroll growth.....	3.00%
Individual salary growth.....	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans

Valuation date.....	June 30, 2013 updated to June 30, 2014
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	7 years as of the valuation date (Miscellaneous)
	25 years as of the valuation date (Safety)
Asset valuation method.....	15-year smoothed market
Investment rate of return.....	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase.....	3.30% to 14.20% depending on age, service, and type of employment
Inflation.....	2.75%
Payroll growth.....	3.00%
Individual salary growth.....	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan
June 30, 2019
(Dollars in Thousands)

	2019		
	City Plan	Successor Agency	Transportation Authority
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 127,850	\$ 164	\$ 122
Interest (includes interest on service cost)	290,029	701	129
Changes of benefit terms	-	-	(5)
Differences between expected and actual experience	(385,732)	267	-
Changes of assumptions	111,119	1,572	-
Benefit payments, including refunds of member contributions	(178,019)	(812)	(58)
Net change in total OPEB liability	(34,753)	1,892	188
Total OPEB liability - beginning	3,891,686	10,262	1,748
Total OPEB liability - ending	\$ 3,856,933	\$ 12,154	\$ 1,936
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 203,858	\$ 2,145	\$ 144
Contributions - member	41,682	-	-
Net investment income	14,105	339	119
Benefit payments, including refunds of member contributions	(178,019)	(812)	(58)
Administrative expense	(137)	(11)	(1)
Net change in plan fiduciary net position	81,489	1,661	204
Plan fiduciary net position - beginning	174,477	3,925	1,503
Plan fiduciary net position - ending	255,966	5,586	1,707
Net OPEB liability - ending	\$ 3,600,967	\$ 6,568	\$ 229
Plan fiduciary net position as a percentage of the total OPEB liability	6.6%	46.0%	88.2%
Covered payroll	\$ 3,583,448	\$ 5,742	\$ 4,045
Net OPEB liability as a percentage of covered payroll	100.5%	114.4%	5.7%

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan (Continued)**

June 30, 2019
(Dollars in Thousands)

	2018		
	City Plan	Successor Agency	Transportation Authority
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 125,195	\$ 159	\$ 122
Interest (includes interest on service cost)	272,942	692	117
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Net change in total OPEB liability	232,667	54	175
Total OPEB liability - beginning	3,659,019	10,208	1,573
Total OPEB liability - ending	\$ 3,891,686	\$ 10,262	\$ 1,748
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 183,898	\$ 1,097	\$ 166
Contributions - member	31,686	-	-
Net investment income	17,368	353	134
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Administrative expense	(109)	(3)	(1)
Net change in plan fiduciary net position	67,373	650	235
Plan fiduciary net position - beginning	107,104	3,275	1,268
Plan fiduciary net position - ending	174,477	3,925	1,503
Net OPEB liability - ending	\$ 3,717,209	\$ 6,337	\$ 245
Plan fiduciary net position as a percentage of the total OPEB liability	4.5%	38.2%	86.0%
Covered payroll	\$ 3,393,658	\$ 5,042	\$ 3,946
Net OPEB liability as a percentage of covered payroll	109.5%	125.7%	6.2%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, therefore only two years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions
Other Postemployment Healthcare Benefits Plans
Year Ended June 30, 2019
(In Thousands)

	For the year ended June 30, 2019		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	\$ 218,625	\$ 812	\$ 138
Contributions in relation to the charter required contribution or ADC	(218,625)	(2,967)	(138)
Contribution deficiency/(excess)	\$ -	\$ (2,155)	\$ -
Covered payroll	\$ 3,583,448	\$ 6,384	\$ 4,039
Contributions as a percentage of covered payroll	6.10%	46.48%	3.42%

	For the year ended June 30, 2018		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	\$ 203,858	\$ 813	\$ 143
Contributions in relation to the charter required contribution or ADC	(203,858)	(2,932)	(143)
Contribution deficiency/(excess)	\$ -	\$ (2,119)	\$ -
Covered payroll	\$ 3,393,658	\$ 5,742	\$ 4,045
Contributions as a percentage of covered payroll	6.01%	37.36%	3.50%

	For the year ended June 30, 2017		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	\$ 183,898	\$ 804	\$ 165
Contributions in relation to the charter required contribution or ADC	(183,898)	(1,097)	(165)
Contribution deficiency/(excess)	\$ -	\$ (293)	\$ -
Covered payroll	\$ 3,241,700	\$ 5,042	\$ 3,946
Contributions as a percentage of covered payroll	5.67%	21.76%	4.18%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, and only three years of information is available for the Successor Agency plan and the Transportation Authority plan.

Notes to Schedule:

The Transportation Authority and Successor Agency calculate their annual required contributions on an actuarially determined basis. The methods and assumptions used to determine the fiscal year 2018-19 contribution rates for the plans are as follows:

	For the year ended June 30, 2019	
Actuarial Assumption	Successor Agency	Transportation Authority
Actuarial Valuation Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry age normal cost method	Entry age normal cost method
Asset Valuation Method	Actuarial value of assets	Actuarial value of assets
General Inflation	2.75%, per annum	3.00% per annum
Salary Increases	3.00%, per annum	3.25% per annum, in aggregate
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2011	CalPERS Experience Study for the period from 1997 to 2015
Healthcare Cost Trend Rate	4.00%	Initial 7% for medicare eligibles, 9% for spouse of medicare eligibles and 4.5% non-medicare eligibles, all grading down to 4%
Investment Rate of Return	7.00%	7.28%

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2019
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	\$ 250,121	\$ 2,342,082	\$ 2,342,082	\$ -
Resources (Inflows):				
Property taxes.....	1,728,000	2,142,727	2,246,302	103,575
Business taxes.....	879,380	879,414	917,811	38,397
Other local taxes:				
Sales and use tax.....	196,870	196,870	213,625	16,755
Hotel room tax.....	375,830	375,830	392,328	16,498
Utility users tax.....	99,090	99,090	93,918	(5,172)
Parking tax.....	85,540	85,540	86,020	480
Real property transfer tax.....	228,000	228,000	364,044	136,044
Other local taxes.....	68,060	68,060	65,371	(2,689)
Licenses, permits and franchises:				
Licenses and permits.....	13,261	13,222	12,530	(692)
Franchise tax.....	17,572	17,572	15,786	(1,786)
Fines, forfeitures, and penalties.....	3,125	3,131	5,271	2,140
Interest and investment income.....	27,270	20,323	80,453	60,130
Rents and concessions:				
Garages - Recreation and Park.....	8,938	8,938	7,726	(1,212)
Rents and concessions - Recreation and Park.....	5,315	5,320	5,920	600
Other rents and concessions.....	516	638	546	(92)
Intergovernmental:				
Federal grants and subventions.....	278,439	282,452	257,359	(25,093)
State subventions:				
Social service subventions.....	112,895	114,483	109,716	(4,767)
Health / mental health subventions.....	205,711	229,994	233,034	3,040
Health and welfare realignment.....	282,848	282,848	303,087	20,239
Public safety sales tax.....	104,660	104,660	107,620	2,960
Other grants and subventions.....	54,873	55,422	68,547	13,125
Other.....	12,217	2,346	2,120	(226)
Charges for services:				
General government service charges.....	78,120	78,936	78,512	(424)
Public safety service charges.....	43,737	44,098	56,588	12,490
Recreation charges - Recreation and Park.....	22,320	23,251	23,503	252
MediCal, MediCare and health service charges.....	117,117	117,055	104,711	(12,344)
Other financing sources:				
Transfers from other funds.....	170,671	239,056	239,056	-
Repayment of loan from component unit.....	87	87	-	(87)
Other resources (inflows).....	41,051	29,712	31,707	1,995
Subtotal - Resources (Inflows)	5,261,513	5,749,075	6,123,211	374,136
Total amounts available for appropriation.....	5,511,634	8,091,157	8,465,293	374,136

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2019
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation.....	\$ 35,928	\$ 36,083	\$ 34,383	\$ 1,700
District Attorney.....	60,667	60,239	60,070	169
Emergency Communications.....	61,785	56,856	56,651	205
Fire Department.....	361,432	374,945	374,945	-
Juvenile Probation.....	38,733	35,704	33,217	2,487
Police Department.....	542,109	542,095	542,034	61
Public Defender.....	38,249	38,160	37,808	352
Police Accountability.....	8,356	8,325	7,408	917
Sheriff.....	219,420	206,319	204,326	1,993
Superior Court.....	31,559	31,540	31,329	211
Subtotal - Public Protection	<u>1,398,238</u>	<u>1,390,266</u>	<u>1,382,171</u>	<u>8,095</u>
Public Works, Transportation and Commerce				
Board of Appeals.....	1,372	1,102	1,031	71
Business and Economic Development.....	56,800	52,549	41,199	11,350
General Services Agency - Public Works.....	115,771	150,763	150,258	505
Port.....	9,760	2	2	-
Public Utilities Commission.....	-	8,041	8,027	14
Municipal Transportation Agency.....	-	2,471	2,471	-
Subtotal - Public Works, Transportation and Commerce	<u>183,703</u>	<u>214,928</u>	<u>202,988</u>	<u>11,940</u>
Human Welfare and Neighborhood Development				
Children, Youth and Their Families.....	44,859	44,968	44,645	323
Commission on the Status of Women.....	9,034	9,131	8,893	238
County Education Office.....	116	116	-	116
Environment.....	-	23	23	-
Homelessness and Supportive Housing.....	201,807	189,737	179,581	10,156
Human Rights Commission.....	4,727	5,123	4,696	427
Human Services.....	793,272	784,423	765,815	18,608
Mayor - Housing/Neighborhoods.....	87,712	87,371	67,655	19,716
Subtotal - Human Welfare and Neighborhood Development	<u>1,141,527</u>	<u>1,120,892</u>	<u>1,071,308</u>	<u>49,584</u>
Community Health				
Public Health.....	<u>943,631</u>	<u>967,113</u>	<u>958,657</u>	<u>8,456</u>
Culture and Recreation				
Academy of Sciences.....	6,467	6,467	6,393	74
Arts Commission.....	8,456	9,847	9,789	58
Asian Art Museum.....	11,303	11,004	10,737	267
Fine Arts Museum.....	18,254	18,029	17,753	276
Law Library.....	2,161	2,163	1,796	367
Recreation and Park Commission.....	<u>109,862</u>	<u>106,546</u>	<u>105,886</u>	<u>660</u>
Subtotal - Culture and Recreation	<u>156,503</u>	<u>154,056</u>	<u>152,354</u>	<u>1,702</u>

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2019
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder.....	\$ 35,604	\$ 28,545	\$ 27,821	\$ 724
Board of Supervisors.....	15,826	15,772	15,368	404
City Attorney.....	19,736	23,328	11,876	11,452
City Planning.....	45,889	48,069	45,653	2,416
Civil Service.....	901	838	815	23
Controller.....	12,163	16,676	16,618	58
Elections.....	19,141	16,132	15,436	696
Ethics Commission.....	6,458	6,028	5,160	868
General Services Agency - Administrative Services.....	76,985	63,279	62,578	701
General Services Agency - Technology.....	8,533	5,309	5,051	258
Health Service System.....	593	642	485	157
Human Resources.....	18,669	18,991	18,777	214
Mayor.....	7,624	7,062	6,244	818
Retirement Services.....	1,581	1,385	1,385	-
Treasurer/Tax Collector.....	34,484	38,218	35,333	2,885
Subtotal - General Administration and Finance	<u>304,187</u>	<u>290,274</u>	<u>268,600</u>	<u>21,674</u>
General City Responsibilities				
General City Responsibilities.....	147,491	172,028	143,921	28,107
Other financing uses:				
Debt service.....	14,664	47	3	44
Transfers to other funds.....	1,164,612	1,468,021	1,468,021	-
Budgetary reserves and designations.....	57,078	-	-	-
Total charges to appropriations.....	<u>5,511,634</u>	<u>5,777,625</u>	<u>5,648,023</u>	<u>129,602</u>
Total Sources less Current Year Uses.....	<u>\$ -</u>	<u>\$ 2,313,532</u>	<u>\$ 2,817,270</u>	<u>\$ 503,738</u>
Budgetary fund balance, June 30 before reserves and designations			\$ 2,817,270	
Reserves and designations made from budgetary fund balance not available for appropriation			(1,686,776)	
Reserves for Litigation and Contingencies and General Reserves			<u>(317,807)</u>	
Net Available Budgetary Fund Balance, June 30			<u>\$ 812,687</u>	
Sources/inflows of resources				
Actual amounts (budgetary basis) "available for appropriation".....			\$ 8,465,293	
Difference - budget to GAAP:				
The fund balance at the beginning of the year is a budgetary resource but is not				
a current year revenue for financial reporting purposes.....			(2,342,082)	
Property tax revenue - Teeter Plan net change from prior year.....			1,702	
Change in unrealized gain/(loss) on investments.....			36,877	
Interest earnings / charges from other funds assigned to General Fund as interest adjustment...			(28,807)	
Interest earnings from other funds assigned to General Fund as other revenues.....			14,985	
Grants, subventions and other receivables received after 60-day recognition period.....			(18,775)	
Prepaid lease revenue, Civic Center Garage.....			84	
Transfers from other funds are inflows of budgetary resources, but are not				
revenues for financial reporting purposes.....			(239,056)	
Total revenues as reported on the statement of revenues, expenditures and changes				
in fund balance - General Fund.....			<u>\$ 5,890,221</u>	
Uses/outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations".....			\$ 5,648,023	
Difference - budget to GAAP:				
Recognition of expenditures for advances and imprest cash and capital asset acquisition				
for internal service fund.....			29	
Intergovernmental expense offset.....			(149,525)	
Transfers to other funds are outflows of budgetary resources but are not				
expenditures for financial reporting purposes.....			(1,468,021)	
Total expenditures as reported on the statement of revenues, expenditures and changes				
in fund balance - General Fund.....			<u>\$ 4,030,506</u>	

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2019
(In Thousands)

Notes to Budgetary Schedule:

(a) Budgetary Data

The City adopts two-year rolling budgets annually for all governmental funds on a substantially modified accrual basis of accounting except for capital project funds and certificates of participation and other debt service funds, which substantially adopt project length budgets.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The Administrative Code Chapter 3 outlines the City's general budgetary procedures, with Section 3.3 detailing the budget timeline. A summary of the key budgetary steps is summarized as follows:

Original Budget

- (1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.
- (2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.
- (3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.
- (4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.
- (5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.
- (6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes interim appropriation and salary ordinances.
- (7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2019
(In Thousands)

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- (1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.
- (2) Appropriations may be adjusted during the year with the approval of the Mayor and the Board of Supervisors, e.g. supplemental appropriations. Additionally, the Controller is authorized to make certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

The Annual Appropriation Ordinance adopts the budget at the character level of expenditure within departments. As described above, the Controller is authorized to make certain transfers of appropriations within departments. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

Budgetary data, as revised, is presented in the basic financial statements for the General Fund. Final budgetary data excludes the amount reserved for encumbrances for appropriate comparison to actual expenditures.

(b) Budgetary Results Reconciled to Results in Accordance with Generally Accepted Accounting Principles

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget-to-actual comparison 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.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2019
(In Thousands)

The fund balance of the General Fund as of June 30, 2019, on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis.....	\$ 2,817,270
Unrealized Gains/ (Losses) on Investments.....	16,275
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis.....	(23,793)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis.....	(87,794)
Pre-paid lease revenue.....	(6,194)
Nonspendable Fund Balance (Not Available for Appropriation).....	1,259
	<hr/>
Fund Balance - GAAP basis.....	<u><u>\$ 2,717,023</u></u>

General Fund budget basis fund balance as of June 30, 2019 is composed of the following:

Not available for appropriations:

Restricted Fund Balance:

Rainy Day - Economic Stabilization Reserve.....	\$ 229,069
Rainy Day - One Time Spending Account.....	95,908

Committed Fund Balance:

Budget Stabilization Reserve.....	396,760
Recreation and Parks Expenditure Saving Reserve	803
Assigned for Encumbrances.....	351,446
Assigned for Appropriation Carryforward.....	496,846

Assigned for Subsequent Years' Budgets:

Budget Savings Incentive Program City-wide.....	86,979
Salaries and benefits costs (MOU).....	28,965

Subtotal.....	<u>\$ 1,686,776</u>
---------------	---------------------

Available for appropriations:

Assigned for Litigation and Contingences.....	186,913
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2019-20.....	210,638
Unassigned - General Reserve.....	130,894
Unassigned - Budget for use in fiscal year 2020-21.....	285,152
Unassigned - Reserve for Other Contingencies.....	308,000
Unassigned - Available for future appropriations.....	8,897

Subtotal.....	<u>1,130,494</u>
---------------	------------------

Fund Balance, June 30, 2019 - Budget basis.....	<u><u>\$ 2,817,270</u></u>
---	----------------------------



This page has been intentionally left blank.



**COMBINING FINANCIAL
STATEMENTS AND SCHEDULES**



This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Building Inspection Fund – Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings. This fund shall be used by the Department of Building Inspection to defray the costs of the Bureau of Building Inspection in processing and reviewing permits applications and plans, filed inspections, code enforcement and reproduction of documents.

Children and Families Fund – Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

Community/Neighborhood Development Fund – Accounts for various grants primarily from the Department of Housing and Urban Development including federal grants administered by the former Redevelopment Agency to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

Community Health Services Fund – Accounts for state and federal grants used to promote public health and mental health programs.

Convention Facilities Fund – Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

Courts Fund – Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

Culture and Recreation Fund – Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

Environmental Protection Fund – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

Gasoline Tax Fund – Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

General Services Fund – Accounts for the activities of several non-grant activities, generally established by administrative action.

Gift and Other Expendable Trusts Fund – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

Golf Fund – Accounts for the revenue and expenditures related to the City's six golf courses.

Human Welfare Fund – Accounts for state and federal grants used to promote education and discourage domestic violence.

CITY AND COUNTY OF SAN FRANCISCO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (Continued)

Low and Moderate Income Housing Asset Fund – Accounts for the former Redevelopment Agency's affordable housing assets upon its dissolution on January 31, 2012.

Open Space and Park Fund – Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

Public Library Fund – Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

Public Protection Fund – Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

Public Works, Transportation and Commerce Fund – Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

Real Property Fund – Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

San Francisco County Transportation Authority Fund – Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

Senior Citizens Program Fund – Accounts for grant revenues from the federal and state government to be used to promote the well-being of San Francisco senior citizens.

War Memorial Fund – Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

General Obligation Bond Fund – Accounts for property taxes and other revenues, (including the tobacco settlement revenues in excess of the \$100 million required to fund the Laguna Honda Hospital construction project) for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

Certificates of Participation (COP) Funds – Accounts for Base Rental payments from the various Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

Other Bond Funds – Accounts for funds and debt service for the revolving fund loans operated and managed by the Mayor's Office of Community Development to assist with economic development efforts in low income neighborhoods (Facade Improvement Program) and for the interim financing of revolving credit facility for the Transbay Joint Powers Authority on the Transbay Transit Center project.

CITY AND COUNTY OF SAN FRANCISCO

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

City Facilities Improvement Fund – Accounts for bond proceeds, capital lease financing, federal and local funds and transfers from other funds which are designated for various buildings and general improvements. Expenditures for acquisition and construction of public buildings and improvements are made in accordance with bond requirements and appropriation ordinances.

Fire Protection Systems Improvement Fund – Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

Moscone Convention Center Fund – Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

Recreation and Park Projects – Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

Street Improvement Fund – Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Bequest Fund – Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

CITY AND COUNTY OF SAN FRANCISCO

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2019
(In Thousands)

	Special	Debt Service	Capital Projects	Permanent Fund	Total Nonmajor
	Revenue Funds	Funds	Funds	Bequest Fund	Governmental Funds
Assets:					
Deposits and investments with City Treasury.....	\$ 1,998,719	\$ 107,710	\$ 427,678	\$ 4,293	\$ 2,538,400
Deposits and investments outside City Treasury.....	111,826	57,463	105,485	-	274,774
Receivables:					
Property taxes and penalties.....	6,318	7,637	-	-	13,955
Other local taxes.....	85,377	-	-	-	85,377
Federal and state grants and subventions.....	93,539	-	20,442	-	113,981
Charges for services.....	20,266	-	-	-	20,266
Interest and other.....	12,381	1,874	3,676	15	17,946
Due from other funds.....	892	-	8,752	-	9,644
Due from component unit.....	3,368	-	-	-	3,368
Advance to component unit.....	6,442	-	-	-	6,442
Loans receivable (net of allowance for uncollectible amounts).....	90,553	77,998	-	-	168,551
Other assets.....	17,356	-	-	-	17,356
Total assets.....	<u>\$ 2,447,037</u>	<u>\$ 252,682</u>	<u>\$ 566,033</u>	<u>\$ 4,308</u>	<u>\$ 3,270,060</u>
Liabilities:					
Accounts payable.....	\$ 124,271	\$ -	\$ 56,269	\$ 75	\$ 180,615
Accrued payroll.....	18,573	-	563	-	19,136
Unearned grant and subvention revenue.....	50,020	-	3,318	-	53,338
Due to other funds.....	71,445	-	14,015	-	85,460
Unearned revenues and other liabilities.....	219,711	6,581	9,421	-	235,713
Bonds, loans, capital leases, and other payables.....	14,003	78,000	776	-	92,779
Total liabilities.....	<u>498,023</u>	<u>84,581</u>	<u>84,362</u>	<u>75</u>	<u>667,041</u>
Deferred inflows of resources.....	162,637	6,397	10,431	-	179,465
Fund balances:					
Nonspendable.....	140	-	-	-	140
Restricted.....	1,671,928	161,704	471,240	4,233	2,309,105
Assigned.....	114,640	-	-	-	114,640
Unassigned.....	(331)	-	-	-	(331)
Total fund balances.....	<u>1,786,377</u>	<u>161,704</u>	<u>471,240</u>	<u>4,233</u>	<u>2,423,554</u>
Total liabilities, deferred inflows of resources and fund balances.....	<u>\$ 2,447,037</u>	<u>\$ 252,682</u>	<u>\$ 566,033</u>	<u>\$ 4,308</u>	<u>\$ 3,270,060</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2019
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes.....	\$ 227,797	\$ 289,672	\$ -	\$ -	\$ 517,469
Business taxes.....	1,741	-	-	-	1,741
Sales and use tax.....	115,671	-	-	-	115,671
Hotel room tax.....	16,020	-	-	-	16,020
Licenses, permits, and franchises.....	15,456	-	-	-	15,456
Fines, forfeitures, and penalties.....	26,279	17,877	-	-	44,156
Interest and investment income.....	62,626	7,713	18,838	132	89,309
Rents and concessions.....	140,391	-	167	328	140,886
Intergovernmental:					
Federal.....	175,812	-	14,014	-	189,826
State.....	145,411	675	4,103	-	150,189
Other.....	11,196	-	314	-	11,510
Charges for services.....	179,726	-	-	-	179,726
Other.....	132,478	30,980	36,233	65	199,756
Total revenues.....	1,250,604	346,917	73,669	525	1,671,715
Expenditures:					
Current:					
Public protection.....	78,155	-	-	-	78,155
Public works, transportation and commerce.....	225,390	-	-	-	225,390
Human welfare and neighborhood development.....	626,772	-	-	-	626,772
Community health.....	109,210	-	-	-	109,210
Culture and recreation.....	299,885	-	-	1,419	301,304
General administration and finance.....	78,157	-	-	-	78,157
Debt service:					
Principal retirement.....	25,097	301,319	-	-	326,416
Interest and other fiscal charges.....	18,812	149,621	403	-	168,836
Bond issuance costs.....	771	-	105	-	876
Capital outlay.....	-	-	323,979	-	323,979
Total expenditures.....	1,462,249	450,940	324,487	1,419	2,239,095
Excess (deficiency) of revenues over (under) expenditures.....	(211,645)	(104,023)	(250,818)	(894)	(567,380)
Other financing sources (uses):					
Transfers in.....	657,549	82,383	9,283	-	749,215
Transfers out.....	(182,979)	(2,889)	(73)	(54)	(185,995)
Issuance of bonds and loans:					
Face value of bonds issued.....	72,420	-	-	-	72,420
Total other financing sources (uses).....	546,990	79,494	9,210	(54)	635,640
Net changes in fund balances.....	335,345	(24,529)	(241,608)	(948)	68,260
Fund balances at beginning of year.....	1,451,032	186,233	712,848	5,181	2,355,294
Fund balances at end of year.....	\$ 1,786,377	\$ 161,704	\$ 471,240	\$ 4,233	\$ 2,423,554

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds
June 30, 2019
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community / Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Courts Fund
Assets:						
Deposits and investments with City Treasury.....	\$ 185,875	\$ 291,623	\$ 848,517	\$ 38,974	\$ 50,632	\$ 1,079
Deposits and investments outside City Treasury.....	5	-	7,127	-	-	-
Receivables:						
Property taxes and penalties.....	-	2,810	-	-	-	-
Other local taxes.....	-	21,259	35,794	-	-	-
Federal and state grants and subventions.....	-	4,397	8,526	34,016	-	-
Charges for services.....	429	-	245	74	954	148
Interest and other.....	1,226	1,742	4,574	269	-	-
Due from other funds.....	392	-	-	-	-	-
Due from component unit.....	-	-	-	-	-	-
Advance to component unit.....	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts).....	174	-	89,933	-	-	-
Other assets.....	-	-	14,885	-	-	-
Total assets.....	\$ 188,101	\$ 321,831	\$ 1,009,601	\$ 73,333	\$ 51,586	\$ 1,227
Liabilities:						
Accounts payable.....	\$ 1,712	\$ 31,792	\$ 34,122	\$ 13,757	\$ 478	\$ 1
Accrued payroll.....	1,714	731	817	1,521	35	-
Unearned grant and subvention revenues.....	-	1,976	1,096	3,206	-	-
Due to other funds.....	-	-	14,990	323	-	-
Unearned revenues and other liabilities.....	18,165	103,732	78,716	1	2,946	-
Bonds, loans, capital leases, and other payables.....	-	-	14,003	-	-	-
Total liabilities.....	21,591	138,231	143,744	18,808	3,459	1
Deferred inflows of resources.....	284	5,351	90,854	21,480	-	-
Fund balances:						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	166,226	178,249	758,628	33,045	48,127	1,226
Assigned.....	-	-	16,375	-	-	-
Unassigned.....	-	-	-	-	-	-
Total fund balances.....	166,226	178,249	775,003	33,045	48,127	1,226
Total liabilities, deferred inflows of resources and fund balances.....	\$ 188,101	\$ 321,831	\$ 1,009,601	\$ 73,333	\$ 51,586	\$ 1,227

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2019
(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.....	\$ 26,908	\$ 1,688	\$ 51,609	\$ 28,121	\$ 18,546	\$ 10,040
Deposits and investments outside City Treasury.....	1,636	-	-	959	3	-
Receivables:						
Property taxes and penalties.....	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-
Federal and state grants and subventions.....	4	1,145	4,236	216	334	-
Charges for services.....	298	32	24	494	140	484
Interest and other.....	59	-	334	717	25	72
Due from other funds.....	-	3	-	-	21	-
Due from component unit.....	-	-	-	-	-	-
Advance to component unit.....	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts).....	-	-	-	-	-	-
Other assets.....	-	-	-	-	-	-
Total assets.....	\$ 28,905	\$ 2,868	\$ 56,203	\$ 30,507	\$ 19,069	\$ 10,596
Liabilities:						
Accounts payable.....	\$ 2,329	\$ 283	\$ 1,817	\$ 1,937	\$ 534	\$ 468
Accrued payroll.....	225	136	384	407	66	236
Unearned grant and subvention revenues.....	104	919	-	214	6	-
Due to other funds.....	-	-	-	-	-	-
Unearned revenues and other liabilities.....	-	-	-	775	-	-
Bonds, loans, capital leases, and other payables.....	-	-	-	-	-	-
Total liabilities.....	2,658	1,338	2,201	3,333	606	704
Deferred inflows of resources.....	4	544	-	83	133	-
Fund balances:						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	20,239	986	54,002	8,906	18,330	-
Assigned.....	6,004	-	-	18,185	-	9,892
Unassigned.....	-	-	-	-	-	-
Total fund balances.....	26,243	986	54,002	27,091	18,330	9,892
Total liabilities, deferred inflows of resources and fund balances.....	\$ 28,905	\$ 2,868	\$ 56,203	\$ 30,507	\$ 19,069	\$ 10,596

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2019
(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.....	\$ 42,643	\$ 48,335	\$ 52,628	\$ 93,752	\$ 53,451	\$ 72,785
Deposits and investments outside City Treasury.....	-	-	-	-	-	9
Receivables:						
Property taxes and penalties.....	-	-	1,754	1,754	-	-
Other local taxes.....	-	-	-	-	-	-
Federal and state grants and subventions.....	9,185	-	-	-	24,037	-
Charges for services.....	-	-	-	8	4,495	11,914
Interest and other.....	505	308	363	297	146	160
Due from other funds.....	-	-	-	-	-	3
Due from component unit.....	-	-	-	-	-	1,643
Advance to component unit.....	-	6,442	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts).....	-	446	-	-	-	-
Other assets.....	221	-	1,484	-	75	2
Total assets.....	\$ 52,554	\$ 55,531	\$ 56,229	\$ 95,811	\$ 82,204	\$ 86,516
Liabilities:						
Accounts payable.....	\$ 10,857	\$ 1,705	\$ 760	\$ 1,991	\$ 6,699	\$ 3,595
Accrued payroll.....	212	55	951	3,654	1,525	3,833
Unearned grant and subvention revenues.....	28,882	-	-	-	13,593	-
Due to other funds.....	-	-	-	-	-	855
Unearned revenues and other liabilities.....	304	4,355	1,454	1,453	84	5,378
Bonds, loans, capital leases, and other payables.....	-	-	-	-	-	-
Total liabilities.....	40,255	6,115	3,165	7,098	21,901	13,661
Deferred inflows of resources.....	1,918	6,887	1,466	1,468	15,827	9,923
Fund balances:						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	7,298	42,529	51,598	86,026	39,728	7,798
Assigned.....	3,083	-	-	1,219	4,748	55,134
Unassigned.....	-	-	-	-	-	-
Total fund balances.....	10,381	42,529	51,598	87,245	44,476	62,932
Total liabilities, deferred inflows of resources and fund balances.....	\$ 52,554	\$ 55,531	\$ 56,229	\$ 95,811	\$ 82,204	\$ 86,516

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2019
(In Thousands)

	San Francisco County				
	Real Property Fund	Transportation Authority Fund	Senior Citizens Program Fund	War Memorial Fund	Total
Assets:					
Deposits and investments with City Treasury.....	\$ 29,131	\$ 40,222	\$ -	\$ 12,160	\$ 1,998,719
Deposits and investments outside City Treasury.....	1,000	101,087	-	-	111,826
Receivables:					
Property taxes and penalties.....	-	-	-	-	6,318
Other local taxes.....	-	28,324	-	-	85,377
Federal and state grants and subventions.....	-	6,238	1,205	-	93,539
Charges for services.....	502	-	-	25	20,266
Interest and other.....	94	1,412	-	78	12,381
Due from other funds.....	-	473	-	-	892
Due from component unit.....	-	1,725	-	-	3,368
Advance to component unit.....	-	-	-	-	6,442
Loans receivable (net of allowance for uncollectible amounts).....	-	-	-	-	90,553
Other assets.....	549	140	-	-	17,356
Total assets.....	\$ 31,276	\$ 179,621	\$ 1,205	\$ 12,263	\$ 2,447,037
Liabilities:					
Accounts payable.....	\$ 4,268	\$ 4,635	\$ 217	\$ 314	\$ 124,271
Accrued payroll.....	1,493	200	-	378	18,573
Unearned grant and subvention revenues.....	-	-	24	-	50,020
Due to other funds.....	-	54,313	964	-	71,445
Unearned revenues and other liabilities.....	1,718	-	-	630	219,711
Bonds, loans, capital leases, and other payables.....	-	-	-	-	14,003
Total liabilities.....	7,479	59,148	1,205	1,322	498,023
Deferred inflows of resources.....	241	5,843	331	-	162,637
Fund balances:					
Nonspendable.....	-	140	-	-	140
Restricted.....	23,556	114,490	-	10,941	1,671,928
Assigned.....	-	-	-	-	114,640
Unassigned.....	-	-	(331)	-	(331)
Total fund balances.....	23,556	114,630	(331)	10,941	1,786,377
Total liabilities, deferred inflows of resources and fund balances.....	\$ 31,276	\$ 179,621	\$ 1,205	\$ 12,263	\$ 2,447,037

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, 2019
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community / Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Courts Fund
Revenues:						
Property taxes.....	\$ -	\$ 101,009	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	1,741	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-
Licenses, permits, and franchises.....	6,533	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	916	1,817	-	7
Interest and investment income.....	5,756	6,290	28,593	1,443	1,083	29
Rents and concessions.....	-	-	718	-	63,945	-
Intergovernmental:						
Federal.....	-	9,913	32,609	51,854	-	-
State.....	-	13,151	733	49,216	-	-
Other.....	-	-	2,446	-	-	-
Charges for services.....	73,978	-	14,717	5,412	-	2,475
Other.....	6	400	94,798	324	7,500	-
Total revenues.....	86,273	130,763	177,271	110,066	72,528	2,511
Expenditures:						
Current:						
Public protection.....	-	-	-	-	-	394
Public works, transportation and commerce.....	75,126	-	26,862	-	9,377	-
Human welfare and neighborhood development.....	-	300,831	190,182	284	257	-
Community health.....	-	-	-	107,569	-	-
Culture and recreation.....	-	-	2,063	-	62,242	-
General administration and finance.....	-	25	5,189	74	-	-
Debt service:						
Principal retirement.....	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	1,317	-	-	-
Bond issuance costs.....	-	-	771	-	-	-
Total expenditures.....	75,126	300,856	226,384	107,927	71,876	394
Excess (deficiency) of revenues over (under) expenditures.....	11,147	(170,093)	(49,113)	2,139	652	2,117
Other financing sources (uses):						
Transfers in.....	-	216,683	157,615	37	56,394	690
Transfers out.....	(178)	(231)	(2,185)	-	(41,430)	(2,373)
Issuance of bonds and loans:						
Face value of bonds issued.....	-	-	72,420	-	-	-
Total other financing sources (uses).....	(178)	216,452	227,850	37	14,964	(1,683)
Net changes in fund balances.....	10,969	46,359	178,737	2,176	15,616	434
Fund balances at beginning of year.....	155,257	131,890	596,266	30,869	32,511	792
Fund balances at end of year.....	\$ 166,226	\$ 178,249	\$ 775,003	\$ 33,045	\$ 48,127	\$ 1,226

(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, 2019
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Revenues:						
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Hotel room tax.....	16,020	-	-	-	-	-
Licenses, permits, and franchises.....	153	-	-	3,021	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	801	-
Interest and investment income.....	594	6	1,329	572	479	301
Rents and concessions.....	467	-	-	1,243	-	4,237
Intergovernmental:						
Federal.....	30	547	-	169	-	-
State.....	1,918	6,867	50,836	180	-	-
Other.....	-	77	-	-	-	-
Charges for services.....	9,328	47	666	1,723	18	7,390
Other.....	647	183	49	569	13,345	-
Total revenues.....	<u>29,157</u>	<u>7,727</u>	<u>52,880</u>	<u>7,477</u>	<u>14,643</u>	<u>11,928</u>
Expenditures:						
Current:						
Public protection.....	-	-	-	200	476	-
Public works, transportation and commerce.....	1,450	-	32,497	1	3,472	-
Human welfare and neighborhood development.....	1,165	6,784	-	-	979	-
Community health.....	-	-	-	-	331	-
Culture and recreation.....	15,839	-	-	1,281	648	15,147
General administration and finance.....	14,759	161	-	3,644	53	-
Debt service:						
Principal retirement.....	433	-	-	-	-	-
Interest and other fiscal charges.....	1,027	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-
Total expenditures.....	<u>34,673</u>	<u>6,945</u>	<u>32,497</u>	<u>5,126</u>	<u>5,959</u>	<u>15,147</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(5,516)</u>	<u>782</u>	<u>20,383</u>	<u>2,351</u>	<u>8,684</u>	<u>(3,219)</u>
Other financing sources (uses):						
Transfers in.....	15,117	28	4,059	95	-	7,425
Transfers out.....	(337)	(6)	(3,099)	(27)	(3,465)	(1,180)
Issuance of bonds and loans:						
Face value of bonds issued.....	-	-	-	-	-	-
Total other financing sources (uses).....	<u>14,780</u>	<u>22</u>	<u>960</u>	<u>68</u>	<u>(3,465)</u>	<u>6,245</u>
Net changes in fund balances.....	9,264	804	21,343	2,419	5,219	3,026
Fund balances at beginning of year.....	16,979	182	32,659	24,672	13,111	6,866
Fund balances at end of year.....	<u>\$ 26,243</u>	<u>\$ 986</u>	<u>\$ 54,002</u>	<u>\$ 27,091</u>	<u>\$ 18,330</u>	<u>\$ 9,892</u>

(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, 2019
(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.....	\$ -	\$ -	\$ 63,394	\$ 63,394	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-
Licenses, permits, and franchises.....	292	-	-	-	512	-
Fines, forfeitures, and penalties.....	15	-	-	-	22,556	167
Interest and investment income.....	949	5,230	1,474	2,304	1,215	1,297
Rents and concessions.....	-	5,257	-	3	-	69
Intergovernmental:						
Federal.....	37,772	-	-	-	30,871	-
State.....	5,254	-	157	217	15,556	-
Other.....	-	1,773	-	-	33	2,966
Charges for services.....	184	-	-	599	25,258	36,648
Other.....	-	12,667	-	-	12	1,811
Total revenues.....	44,466	24,927	65,025	66,517	96,013	42,958
Expenditures:						
Current:						
Public protection.....	-	-	-	-	77,085	-
Public works, transportation and commerce.....	4,031	-	2,273	2,263	-	36,817
Human welfare and neighborhood development.....	93,847	5,241	-	-	3,621	16,563
Community health.....	-	-	-	-	1,310	-
Culture and recreation.....	-	-	55,390	130,602	-	-
General administration and finance.....	-	-	-	-	2,832	26
Debt service:						
Principal retirement.....	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	7,566	-	-
Bond issuance costs.....	-	-	-	-	-	-
Total expenditures.....	97,878	5,241	57,663	140,431	84,848	53,406
Excess (deficiency) of revenues over (under) expenditures.....	(53,412)	19,686	7,362	(73,914)	11,165	(10,448)
Other financing sources (uses):						
Transfers in.....	59,373	-	1,280	101,823	469	22,943
Transfers out.....	(419)	(2)	(520)	(6,557)	(2,012)	(675)
Issuance of bonds and loans:						
Face value of bonds issued.....	-	-	-	-	-	-
Total other financing sources (uses).....	58,954	(2)	760	95,266	(1,543)	22,268
Net changes in fund balances.....	5,542	19,684	8,122	21,352	9,622	11,820
Fund balances at beginning of year.....	4,839	22,845	43,476	65,893	34,854	51,112
Fund balances at end of year.....	\$ 10,381	\$ 42,529	\$ 51,598	\$ 87,245	\$ 44,476	\$ 62,932

(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, 2019
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens Program Fund	War Memorial Fund	Total
Revenues:					
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ 227,797
Business taxes.....	-	-	-	-	1,741
Sales and use tax.....	-	115,671	-	-	115,671
Hotel room tax.....	-	-	-	-	16,020
Licenses, permits, and franchises.....	-	4,945	-	-	15,456
Fines, forfeitures, and penalties.....	-	-	-	-	26,279
Interest and investment income.....	461	2,844	-	377	62,626
Rents and concessions.....	60,533	-	-	3,919	140,391
Intergovernmental:					
Federal.....	-	5,077	6,970	-	175,812
State.....	-	754	572	-	145,411
Other.....	684	3,217	-	-	11,196
Charges for services.....	704	-	-	579	179,726
Other.....	-	53	26	88	132,478
Total revenues.....	<u>62,382</u>	<u>132,561</u>	<u>7,568</u>	<u>4,963</u>	<u>1,250,604</u>
Expenditures:					
Current:					
Public protection.....	-	-	-	-	78,155
Public works, transportation and commerce.....	3,711	27,166	-	344	225,390
Human welfare and neighborhood development.....	-	-	7,018	-	626,772
Community health.....	-	-	-	-	109,210
Culture and recreation.....	-	-	-	16,673	299,885
General administration and finance.....	51,394	-	-	-	78,157
Debt service:					
Principal retirement.....	-	24,664	-	-	25,097
Interest and other fiscal charges.....	-	8,902	-	-	18,812
Bond issuance costs.....	-	-	-	-	771
Total expenditures.....	<u>55,105</u>	<u>60,732</u>	<u>7,018</u>	<u>17,017</u>	<u>1,462,249</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>7,277</u>	<u>71,829</u>	<u>550</u>	<u>(12,054)</u>	<u>(211,645)</u>
Other financing sources (uses):					
Transfers in.....	-	-	23	13,495	657,549
Transfers out.....	(8,659)	(109,571)	-	(53)	(182,979)
Issuance of bonds and loans:					
Face value of bonds issued.....	-	-	-	-	72,420
Total other financing sources (uses).....	<u>(8,659)</u>	<u>(109,571)</u>	<u>23</u>	<u>13,442</u>	<u>546,990</u>
Net changes in fund balances.....	<u>(1,382)</u>	<u>(37,742)</u>	<u>573</u>	<u>1,388</u>	<u>335,345</u>
Fund balances at beginning of year.....	<u>24,938</u>	<u>152,372</u>	<u>(904)</u>	<u>9,553</u>	<u>1,451,032</u>
Fund balances at end of year.....	<u>\$ 23,556</u>	<u>\$ 114,630</u>	<u>\$ (331)</u>	<u>\$ 10,941</u>	<u>\$ 1,786,377</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2019
(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.....	\$ -	\$ -	\$ -	\$ -	\$ 101,700	\$ 101,700	\$ 101,009	\$ (691)
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	6,696	6,696	6,533	(163)	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	559	559	3,921	3,362	273	3,489	4,161	672
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	9,595	10,294	9,444	(850)
State.....	-	-	-	-	13,735	13,591	13,961	370
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	63,457	63,718	74,089	10,371	-	-	-	-
Other.....	-	-	6	6	444	400	400	-
Total revenues.....	<u>70,712</u>	<u>70,973</u>	<u>84,549</u>	<u>13,576</u>	<u>125,747</u>	<u>129,474</u>	<u>128,975</u>	<u>(499)</u>
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	76,665	79,552	75,126	4,426	-	-	-	-
Human welfare and neighborhood development....	-	-	-	-	257,751	301,955	300,831	1,124
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	25	25	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>76,665</u>	<u>79,552</u>	<u>75,126</u>	<u>4,426</u>	<u>257,751</u>	<u>301,980</u>	<u>300,856</u>	<u>1,124</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(5,953)</u>	<u>(8,579)</u>	<u>9,423</u>	<u>18,002</u>	<u>(132,004)</u>	<u>(172,506)</u>	<u>(171,881)</u>	<u>625</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	121,333	216,683	216,683	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,333</u>	<u>216,683</u>	<u>216,683</u>	<u>-</u>
Net changes in fund balances.....	<u>(5,953)</u>	<u>(8,579)</u>	<u>9,423</u>	<u>18,002</u>	<u>(10,671)</u>	<u>44,177</u>	<u>44,802</u>	<u>625</u>
Budgetary fund balances, July 1.....	<u>5,953</u>	<u>156,191</u>	<u>156,191</u>	<u>-</u>	<u>10,671</u>	<u>135,394</u>	<u>135,394</u>	<u>-</u>
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 147,612</u>	<u>\$ 165,614</u>	<u>\$ 18,002</u>	<u>\$ -</u>	<u>\$ 179,571</u>	<u>\$ 180,196</u>	<u>\$ 625</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(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.....	2,100	1,741	1,741	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	915	916	1	2,400	1,817	1,817	-
Interest and investment income.....	9	21,666	21,666	-	210	1,110	1,110	-
Rents and concessions.....	30	718	718	-	-	-	-	-
Intergovernmental:								
Federal.....	5,283	32,052	32,052	-	60,189	56,333	56,333	-
State.....	975	894	894	-	37,032	49,062	49,062	-
Other.....	-	2,446	2,446	-	-	-	-	-
Charges for services.....	9,335	14,777	14,717	(60)	130	5,413	5,412	(1)
Other.....	99,526	94,709	94,709	-	380	349	349	-
Total revenues.....	117,258	169,918	169,859	(59)	100,341	114,084	114,083	(1)
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	53,140	24,362	24,362	-	-	-	-	-
Human welfare and neighborhood development....	64,278	187,045	186,273	772	610	284	284	-
Community health.....	-	-	-	-	99,731	107,587	107,532	55
Culture and recreation.....	4,718	2,063	2,063	-	-	-	-	-
General administration and finance.....	7,896	5,189	5,189	-	-	74	74	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	-
Interest and other fiscal charges.....	-	1,317	1,317	-	-	-	-	-
Bond issuance costs.....	-	565	565	-	-	-	-	-
Total expenditures.....	130,032	220,541	219,769	772	100,341	107,945	107,890	55
Excess (deficiency) of revenues over (under) expenditures.....	(12,774)	(50,623)	(49,910)	713	-	6,139	6,193	54
Other financing sources (uses):								
Transfers in.....	1	157,615	157,615	-	-	-	-	-
Transfers out.....	(10)	(4,055)	(4,055)	-	-	-	-	-
Issuance of commercial paper.....	-	763	763	-	-	-	-	-
Issuance of bonds.....	-	72,214	72,214	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	(9)	226,537	226,537	-	-	-	-	-
Net changes in fund balances.....	(12,783)	175,914	176,627	713	-	6,139	6,193	54
Budgetary fund balances, July 1.....	12,783	618,230	618,230	-	-	48,097	48,097	-
Budgetary fund balances, June 30.....	\$ -	\$ 794,144	\$ 794,857	\$ 713	\$ -	\$ 54,236	\$ 54,290	\$ 54

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Convention Facilities Fund				Courts Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	4	4	7	3
Interest and investment income.....	-	26	26	-	-	-	-	-
Rents and concessions.....	52,848	60,607	63,945	3,338	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	-	-	-	-
State.....	-	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	-	-	-	2,111	2,111	2,475	364
Other.....	7,650	7,650	7,500	(150)	-	-	-	-
Total revenues.....	60,498	68,283	71,471	3,188	2,115	2,115	2,482	367
Expenditures:								
Current:								
Public protection.....	-	-	-	-	2,805	473	394	79
Public works, transportation and commerce.....	-	9,377	9,377	-	-	-	-	-
Human welfare and neighborhood development....	-	257	257	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	89,616	66,257	62,242	4,015	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement.....	28,000	506	506	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
Total expenditures.....	117,616	76,397	72,382	4,015	2,805	473	394	79
Excess (deficiency) of revenues over (under) expenditures.....	(57,118)	(8,114)	(911)	7,203	(690)	1,642	2,088	446
Other financing sources (uses):								
Transfers in.....	53,568	56,394	56,394	-	690	690	690	-
Transfers out.....	-	(39,867)	(39,867)	-	-	(2,344)	(2,344)	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	53,568	16,527	16,527	-	690	(1,654)	(1,654)	-
Net changes in fund balances.....	(3,550)	8,413	15,616	7,203	-	(12)	434	446
Budgetary fund balances, July 1.....	3,550	37,279	37,279	-	-	802	802	-
Budgetary fund balances, June 30.....	\$ -	\$ 45,692	\$ 52,895	\$ 7,203	\$ -	\$ 790	\$ 1,236	\$ 446

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Culture and Recreation Fund				Environmental Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	16,020	16,020	16,020	-	-	-	-	-
Licenses, permits, and franchises.....	138	153	153	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	25	204	179	(25)	-	-	-	-
Rents and concessions.....	474	474	467	(7)	-	-	-	-
Intergovernmental:								
Federal.....	-	30	30	-	400	438	438	-
State.....	-	1,850	1,850	-	986	6,777	6,777	-
Other.....	-	-	-	-	-	91	91	-
Charges for services.....	9,072	8,860	9,327	467	55	59	47	(12)
Other.....	1,818	647	647	-	1,689	1,873	183	(1,690)
Total revenues.....	<u>27,547</u>	<u>28,238</u>	<u>28,673</u>	<u>435</u>	<u>3,130</u>	<u>9,238</u>	<u>7,536</u>	<u>(1,702)</u>
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	1,069	1,450	1,450	-	-	-	-	-
Human welfare and neighborhood development....	1,500	1,165	1,165	-	2,720	8,666	6,784	1,882
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	22,079	16,190	15,839	351	-	-	-	-
General administration and finance.....	15,330	14,759	14,759	-	400	161	161	-
Debt service:								
Principal retirement.....	691	433	433	-	-	-	-	-
Interest and other fiscal charges.....	1,049	1,310	1,310	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>41,718</u>	<u>35,307</u>	<u>34,956</u>	<u>351</u>	<u>3,120</u>	<u>8,827</u>	<u>6,945</u>	<u>1,882</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(14,171)</u>	<u>(7,069)</u>	<u>(6,283)</u>	<u>786</u>	<u>10</u>	<u>411</u>	<u>591</u>	<u>180</u>
Other financing sources (uses):								
Transfers in.....	14,094	15,117	15,117	-	-	28	28	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	(10)	-	-	-
Total other financing sources (uses).....	<u>14,094</u>	<u>15,117</u>	<u>15,117</u>	<u>-</u>	<u>(10)</u>	<u>28</u>	<u>28</u>	<u>-</u>
Net changes in fund balances.....	<u>(77)</u>	<u>8,048</u>	<u>8,834</u>	<u>786</u>	<u>-</u>	<u>439</u>	<u>619</u>	<u>180</u>
Budgetary fund balances, July 1.....	<u>77</u>	<u>20,611</u>	<u>20,611</u>	<u>-</u>	<u>-</u>	<u>910</u>	<u>910</u>	<u>-</u>
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 28,659</u>	<u>\$ 29,445</u>	<u>\$ 786</u>	<u>\$ -</u>	<u>\$ 1,349</u>	<u>\$ 1,529</u>	<u>\$ 180</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Gasoline Tax Fund				General Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	3,081	2,409	2,409	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	42	409	975	566	45	399	399	-
Rents and concessions.....	-	-	-	-	-	1,243	1,243	-
Intergovernmental:								
Federal.....	-	-	-	-	-	169	169	-
State.....	42,651	49,414	50,836	1,422	750	180	180	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	8,939	800	666	(134)	1,913	1,713	1,723	10
Other.....	-	-	42	42	1,004	638	638	-
Total revenues.....	<u>51,632</u>	<u>50,623</u>	<u>52,519</u>	<u>1,896</u>	<u>6,793</u>	<u>6,751</u>	<u>6,761</u>	<u>10</u>
Expenditures:								
Current:								
Public protection.....	-	-	-	-	280	200	200	-
Public works, transportation and commerce.....	53,299	32,475	32,450	25	-	1	1	-
Human welfare and neighborhood development....	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	1,281	1,281	-
General administration and finance.....	-	-	-	-	9,105	3,644	3,644	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>53,299</u>	<u>32,475</u>	<u>32,450</u>	<u>25</u>	<u>9,385</u>	<u>5,126</u>	<u>5,126</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(1,667)</u>	<u>18,148</u>	<u>20,069</u>	<u>1,921</u>	<u>(2,592)</u>	<u>1,625</u>	<u>1,635</u>	<u>10</u>
Other financing sources (uses):								
Transfers in.....	4,011	4,011	4,011	-	159	95	95	-
Transfers out.....	(3,099)	(3,099)	(3,099)	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	46	-	-	-
Total other financing sources (uses).....	<u>912</u>	<u>912</u>	<u>912</u>	<u>-</u>	<u>205</u>	<u>95</u>	<u>95</u>	<u>-</u>
Net changes in fund balances.....	<u>(755)</u>	<u>19,060</u>	<u>20,981</u>	<u>1,921</u>	<u>(2,387)</u>	<u>1,720</u>	<u>1,730</u>	<u>10</u>
Budgetary fund balances, July 1.....	<u>755</u>	<u>32,803</u>	<u>32,803</u>	<u>-</u>	<u>2,387</u>	<u>25,386</u>	<u>25,386</u>	<u>-</u>
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 51,863</u>	<u>\$ 53,784</u>	<u>\$ 1,921</u>	<u>\$ -</u>	<u>\$ 27,106</u>	<u>\$ 27,116</u>	<u>\$ 10</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Gift and Other Expendable Trusts Fund				Golf Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	848	848	-	-	-	-	-
Interest and investment income.....	-	80	80	-	20	89	221	132
Rents and concessions.....	-	-	-	-	3,899	3,899	4,237	338
Intergovernmental:								
Federal.....	-	-	-	-	-	-	-	-
State.....	-	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	18	18	-	7,133	7,457	7,390	(67)
Other.....	1,954	13,408	13,406	(2)	-	-	-	-
Total revenues.....	1,954	14,354	14,352	(2)	11,052	11,445	11,848	403
Expenditures:								
Current:								
Public protection.....	-	476	476	-	-	-	-	-
Public works, transportation and commerce.....	-	3,472	3,472	-	-	-	-	-
Human welfare and neighborhood development....	601	979	979	-	-	-	-	-
Community health.....	306	331	331	-	-	-	-	-
Culture and recreation.....	447	648	648	-	17,569	17,155	15,147	2,008
General administration and finance.....	-	53	53	-	-	-	-	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
Total expenditures.....	1,354	5,959	5,959	-	17,569	17,155	15,147	2,008
Excess (deficiency) of revenues over (under) expenditures.....	600	8,395	8,393	(2)	(6,517)	(5,710)	(3,299)	2,411
Other financing sources (uses):								
Transfers in.....	-	-	-	-	7,425	7,425	7,425	-
Transfers out.....	(600)	(3,100)	(3,100)	-	(1,180)	(1,180)	(1,180)	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	(600)	(3,100)	(3,100)	-	6,245	6,245	6,245	-
Net changes in fund balances.....	-	5,295	5,293	(2)	(272)	535	2,946	2,411
Budgetary fund balances, July 1.....	-	13,144	13,144	-	272	6,910	6,910	-
Budgetary fund balances, June 30.....	\$ -	\$ 18,439	\$ 18,437	\$ (2)	\$ -	\$ 7,445	\$ 9,856	\$ 2,411

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Human Welfare Fund				Low and Moderate Income Housing Asset Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	270	270	292	22	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	15	15	-	-	-	-
Interest and investment income.....	-	475	475	-	-	4,881	4,881	-
Rents and concessions.....	-	-	-	-	5,000	5,257	5,257	-
Intergovernmental:								
Federal.....	46,429	36,206	36,206	-	-	-	-	-
State.....	30,395	5,253	5,253	-	-	-	-	-
Other.....	200	-	-	-	1,773	1,773	1,773	-
Charges for services.....	161	184	184	-	-	-	-	-
Other.....	-	-	-	-	-	12,667	12,667	-
Total revenues.....	<u>77,455</u>	<u>42,388</u>	<u>42,425</u>	<u>37</u>	<u>6,773</u>	<u>24,578</u>	<u>24,578</u>	<u>-</u>
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	4,031	4,031	-	-	-	-	-
Human welfare and neighborhood development....	136,913	94,041	93,847	194	5,000	5,241	5,241	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement.....	-	-	-	-	1,773	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>136,913</u>	<u>98,072</u>	<u>97,878</u>	<u>194</u>	<u>6,773</u>	<u>5,241</u>	<u>5,241</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(59,458)</u>	<u>(55,684)</u>	<u>(55,453)</u>	<u>231</u>	<u>-</u>	<u>19,337</u>	<u>19,337</u>	<u>-</u>
Other financing sources (uses):								
Transfers in.....	59,365	59,373	59,373	-	-	-	-	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>59,365</u>	<u>59,373</u>	<u>59,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances.....	<u>(93)</u>	<u>3,689</u>	<u>3,920</u>	<u>231</u>	<u>-</u>	<u>19,337</u>	<u>19,337</u>	<u>-</u>
Budgetary fund balances, July 1.....	<u>93</u>	<u>8,319</u>	<u>8,319</u>	<u>-</u>	<u>-</u>	<u>28,068</u>	<u>28,068</u>	<u>-</u>
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 12,008</u>	<u>\$ 12,239</u>	<u>\$ 231</u>	<u>\$ -</u>	<u>\$ 47,405</u>	<u>\$ 47,405</u>	<u>\$ -</u>

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(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.....	\$ 63,568	\$ 63,568	\$ 63,394	\$ (174)	\$ 63,568	\$ 63,568	\$ 63,394	\$ (174)
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	150	197	1,015	818	222	249	823	574
Rents and concessions.....	-	-	-	-	4	4	3	(1)
Intergovernmental:								
Federal.....	-	-	-	-	-	-	-	-
State.....	170	170	157	(13)	220	230	217	(13)
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	-	-	-	691	695	601	(94)
Other.....	-	-	-	-	-	-	-	-
Total revenues.....	<u>63,888</u>	<u>63,935</u>	<u>64,566</u>	<u>631</u>	<u>64,705</u>	<u>64,746</u>	<u>65,038</u>	<u>292</u>
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	2,273	2,273	-	-	2,263	2,263	-
Human welfare and neighborhood development....	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	76,698	56,302	55,390	912	160,424	130,681	130,602	79
General administration and finance.....	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	7,566	7,566	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>76,698</u>	<u>58,575</u>	<u>57,663</u>	<u>912</u>	<u>160,424</u>	<u>140,510</u>	<u>140,431</u>	<u>79</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(12,810)</u>	<u>5,360</u>	<u>6,903</u>	<u>1,543</u>	<u>(95,719)</u>	<u>(75,764)</u>	<u>(75,393)</u>	<u>371</u>
Other financing sources (uses):								
Transfers in.....	1,180	1,280	1,280	-	83,800	101,823	101,823	-
Transfers out.....	(520)	(520)	(520)	-	-	(5,550)	(5,550)	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>660</u>	<u>760</u>	<u>760</u>	<u>-</u>	<u>83,800</u>	<u>96,273</u>	<u>96,273</u>	<u>-</u>
Net changes in fund balances.....	<u>(12,150)</u>	<u>6,120</u>	<u>7,663</u>	<u>1,543</u>	<u>(11,919)</u>	<u>20,509</u>	<u>20,880</u>	<u>371</u>
Budgetary fund balances, July 1.....	<u>12,150</u>	<u>43,719</u>	<u>43,719</u>	<u>-</u>	<u>11,919</u>	<u>68,959</u>	<u>68,959</u>	<u>-</u>
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 49,839</u>	<u>\$ 51,382</u>	<u>\$ 1,543</u>	<u>\$ -</u>	<u>\$ 89,468</u>	<u>\$ 89,839</u>	<u>\$ 371</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Public Protection Fund				Public Works, Transportation and Commerce Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	1,032	512	512	-	-	-	-	-
Fines, forfeitures, and penalties.....	6,108	22,556	22,556	-	-	1,156	1,156	-
Interest and investment income.....	3	305	305	-	-	499	499	-
Rents and concessions.....	-	-	-	-	-	59	69	10
Intergovernmental:								
Federal.....	32,926	35,530	35,530	-	-	-	-	-
State.....	16,871	15,288	15,288	-	-	-	-	-
Other.....	17	33	33	-	-	1,789	1,789	-
Charges for services.....	4,478	25,617	25,617	-	19,072	42,844	42,891	47
Other.....	-	12	12	-	-	1,959	1,964	5
Total revenues.....	<u>61,435</u>	<u>99,853</u>	<u>99,853</u>	<u>-</u>	<u>19,072</u>	<u>48,306</u>	<u>48,368</u>	<u>62</u>
Expenditures:								
Current:								
Public protection.....	51,846	77,090	77,085	5	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	22,270	41,321	36,843	4,478
Human welfare and neighborhood development....	3,931	3,621	3,621	-	16,572	17,353	16,563	790
Community health.....	1,896	1,310	1,310	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	4,332	2,832	2,832	-	-	26	26	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>62,005</u>	<u>84,853</u>	<u>84,848</u>	<u>5</u>	<u>38,842</u>	<u>58,700</u>	<u>53,432</u>	<u>5,268</u>
Excess (deficiency) of revenues over (under) expenditures.....	(570)	15,000	15,005	5	(19,770)	(10,394)	(5,064)	5,330
Other financing sources (uses):								
Transfers in.....	-	469	469	-	19,770	22,943	22,943	-
Transfers out.....	(1,238)	(1,234)	(1,234)	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>(1,238)</u>	<u>(765)</u>	<u>(765)</u>	<u>-</u>	<u>19,770</u>	<u>22,943</u>	<u>22,943</u>	<u>-</u>
Net changes in fund balances.....	<u>(1,808)</u>	<u>14,235</u>	<u>14,240</u>	<u>5</u>	<u>-</u>	<u>12,549</u>	<u>17,879</u>	<u>5,330</u>
Budgetary fund balances, July 1.....	<u>1,808</u>	<u>46,564</u>	<u>46,564</u>	<u>-</u>	<u>-</u>	<u>53,241</u>	<u>53,241</u>	<u>-</u>
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 60,799</u>	<u>\$ 60,804</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 65,790</u>	<u>\$ 71,120</u>	<u>\$ 5,330</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(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.....	-	-	-	-	106,462	109,655	115,671	6,016
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	4,930	4,930	4,945	15
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	-	296	296	545	2,522	2,844	322
Rents and concessions.....	17,315	64,077	60,531	(3,546)	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	6,276	11,588	5,077	(6,511)
State.....	-	-	-	-	-	499	754	255
Other.....	6,174	6,174	684	(5,490)	4,959	6,619	3,217	(3,402)
Charges for services.....	670	670	704	34	-	-	-	-
Other.....	1,800	1,800	-	(1,800)	45	52	53	1
Total revenues.....	25,959	72,721	62,215	(10,506)	123,217	135,865	132,561	(3,304)
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	3,722	3,711	11	229,648	183,167	136,736	46,431
Human welfare and neighborhood development....	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	29,011	55,233	51,153	4,080	-	-	-	-
Debt service:								
Principal retirement.....	-	-	-	-	25,000	24,663	24,664	(1)
Interest and other fiscal charges.....	-	-	-	-	8,412	8,960	8,902	58
Bond issuance costs.....	-	-	-	-	-	-	-	-
Total expenditures.....	29,011	58,955	54,864	4,091	263,060	216,790	170,302	46,488
Excess (deficiency) of revenues over (under) expenditures.....	(3,052)	13,766	7,351	(6,415)	(139,843)	(80,925)	(37,741)	43,184
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	-	(8,546)	(8,546)	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	121,000	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	-	(8,546)	(8,546)	-	121,000	-	-	-
Net changes in fund balances.....	(3,052)	5,220	(1,195)	(6,415)	(18,843)	(80,925)	(37,741)	43,184
Budgetary fund balances, July 1.....	3,052	24,522	24,522	-	152,371	152,371	152,371	-
Budgetary fund balances, June 30.....	\$ -	\$ 29,742	\$ 23,327	\$ (6,415)	\$ 133,528	\$ 71,446	\$ 114,630	\$ 43,184

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Senior Citizens Program Fund				War Memorial Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	-	-	-	-	101	240	139
Rents and concessions.....	-	-	-	-	3,024	3,649	3,919	270
Intergovernmental:								
Federal.....	5,232	6,411	6,411	-	-	-	-	-
State.....	626	557	557	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	-	-	-	389	476	579	103
Other.....	-	26	26	-	-	88	88	-
Total revenues.....	<u>5,858</u>	<u>6,994</u>	<u>6,994</u>	<u>-</u>	<u>3,413</u>	<u>4,314</u>	<u>4,826</u>	<u>512</u>
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	-	344	344	-
Human welfare and neighborhood development....	5,858	6,994	6,994	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	17,544	17,291	16,673	618
General administration and finance.....	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>5,858</u>	<u>6,994</u>	<u>6,994</u>	<u>-</u>	<u>17,544</u>	<u>17,635</u>	<u>17,017</u>	<u>618</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,131)</u>	<u>(13,321)</u>	<u>(12,191)</u>	<u>1,130</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	13,495	13,495	13,495	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,495</u>	<u>13,495</u>	<u>13,495</u>	<u>-</u>
Net changes in fund balances.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(636)</u>	<u>174</u>	<u>1,304</u>	<u>1,130</u>
Budgetary fund balances, July 1.....	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>636</u>	<u>9,561</u>	<u>9,561</u>	<u>-</u>
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,735</u>	<u>\$ 10,865</u>	<u>\$ 1,130</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Total			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues:				
Property taxes.....	\$ 228,836	\$ 228,836	\$ 227,797	\$ (1,039)
Business taxes.....	2,100	1,741	1,741	-
Sales and use tax.....	106,462	109,655	115,671	6,016
Hotel room tax.....	16,020	16,020	16,020	-
Licenses, permits, and franchises.....	16,147	14,970	14,844	(126)
Fines, forfeitures, and penalties.....	8,512	27,296	27,315	19
Interest and investment income.....	2,103	37,260	44,116	6,856
Rents and concessions.....	82,594	139,987	140,389	402
Intergovernmental:				
Federal.....	166,330	189,051	181,690	(7,361)
State.....	144,411	143,765	145,786	2,021
Other.....	13,123	18,925	10,033	(8,892)
Charges for services.....	127,606	175,412	186,440	11,028
Other.....	116,310	136,278	132,690	(3,588)
Total revenues.....	<u>1,030,554</u>	<u>1,239,196</u>	<u>1,244,532</u>	<u>5,336</u>
Expenditures:				
Current:				
Public protection.....	54,931	78,239	78,155	84
Public works, transportation and commerce.....	436,091	387,810	332,439	55,371
Human welfare and neighborhood development....	495,734	627,601	622,839	4,762
Community health.....	101,933	109,228	109,173	55
Culture and recreation.....	389,095	307,868	299,885	7,983
General administration and finance.....	66,074	81,996	77,916	4,080
Debt service:				
Principal retirement.....	55,464	25,602	25,603	(1)
Interest and other fiscal charges.....	9,461	19,153	19,095	58
Bond issuance costs.....	-	565	565	-
Total expenditures.....	<u>1,608,783</u>	<u>1,638,062</u>	<u>1,565,670</u>	<u>72,392</u>
Excess (deficiency) of revenues				
over (under) expenditures.....	<u>(578,229)</u>	<u>(398,866)</u>	<u>(321,138)</u>	<u>77,728</u>
Other financing sources (uses):				
Transfers in.....	378,891	657,441	657,441	-
Transfers out.....	(6,647)	(69,495)	(69,495)	-
Issuance of commercial paper.....	-	763	763	-
Issuance of bonds.....	121,000	72,214	72,214	-
Budget reserves and designations.....	36	-	-	-
Total other financing sources (uses).....	<u>493,280</u>	<u>660,923</u>	<u>660,923</u>	<u>-</u>
Net changes in fund balances.....	<u>(84,949)</u>	<u>262,057</u>	<u>339,785</u>	<u>77,728</u>
Budgetary fund balances, July 1.....	<u>218,477</u>	<u>1,531,082</u>	<u>1,531,082</u>	<u>-</u>
Budgetary fund balances, June 30.....	<u>\$ 133,528</u>	<u>\$ 1,793,139</u>	<u>\$ 1,870,867</u>	<u>\$ 77,728</u>

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, 2019
(In Thousands)**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection.....	\$ 76,665	\$ 79,442	\$ 75,016	\$ 4,426
Public Works.....	-	110	110	-
	<u>76,665</u>	<u>79,552</u>	<u>75,126</u>	<u>4,426</u>
Total Building Inspection Fund.....	<u>76,665</u>	<u>79,552</u>	<u>75,126</u>	<u>4,426</u>
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services.....	12,777	12,953	12,953	-
Children and Families Commission.....	11,436	9,744	9,744	-
Human Services.....	42,219	32,730	32,241	489
Mayor's Office.....	191,319	246,528	245,893	635
	<u>257,751</u>	<u>301,955</u>	<u>300,831</u>	<u>1,124</u>
General Administration and Finance				
Administrative Services.....	-	25	25	-
Total Children and Families Fund.....	<u>257,751</u>	<u>301,980</u>	<u>300,856</u>	<u>1,124</u>
COMMUNITY / NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Mayor's Office.....	4,738	6,125	6,125	-
Municipal Transportation Agency.....	-	658	658	-
Public Works.....	48,402	17,548	17,548	-
Public Utilities Commission.....	-	31	31	-
	<u>53,140</u>	<u>24,362</u>	<u>24,362</u>	<u>-</u>
Human Welfare and Neighborhood Development				
Homelessness And Supportive Housing.....	-	1,423	1,423	-
Human Services.....	12,280	3,331	3,331	-
Mayor's Office.....	43,454	173,793	173,793	-
Rent Arbitration Board.....	8,544	8,498	7,726	772
	<u>64,278</u>	<u>187,045</u>	<u>186,273</u>	<u>772</u>
Culture and Recreation				
Arts Commission.....	50	44	44	-
Recreation and Park Commission.....	4,668	2,019	2,019	-
	<u>4,718</u>	<u>2,063</u>	<u>2,063</u>	<u>-</u>
General Administration and Finance				
Administrative Services.....	2,300	3,094	3,094	-
City Planning.....	5,596	2,095	2,095	-
	<u>7,896</u>	<u>5,189</u>	<u>5,189</u>	<u>-</u>
Total Community / Neighborhood Development Fund.....	<u>130,032</u>	<u>218,659</u>	<u>217,887</u>	<u>772</u>
COMMUNITY HEALTH SERVICES FUND				
Community Health				
Community Health Network.....	99,731	107,587	107,532	55
General Administration and Finance				
Administrative Services.....	-	74	74	-
Human Welfare and Neighborhood Development				
Homelessness And Supportive Housing.....	610	284	284	-
Total Community Health Services Fund.....	<u>100,341</u>	<u>107,945</u>	<u>107,890</u>	<u>55</u>

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, 2019
(In Thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
CONVENTION FACILITIES FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission.....	-	123	123	-
Public Works.....	-	9,254	9,254	-
	-	9,377	9,377	-
Human Welfare and Neighborhood Development				
Mayor's Office.....	-	257	257	-
Culture and Recreation				
Administrative Services.....	89,616	66,257	62,242	4,015
Total Convention Facilities Fund.....	89,616	75,891	71,876	4,015
COURTS FUND				
Public Protection				
Trial Courts.....	2,805	473	394	79
Total Courts Fund.....	2,805	473	394	79
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office.....	1,069	715	715	-
Public Works.....	-	735	735	-
	1,069	1,450	1,450	-
Human Welfare and Neighborhood Development				
Mayor's Office.....	1,500	1,165	1,165	-
Culture and Recreation				
Arts Commission.....	11,536	8,278	8,278	-
Asian Art Museum.....	695	367	367	-
Fine Arts Museums.....	4,088	4,352	4,352	-
Recreation and Park Commission.....	5,760	3,193	2,842	351
	22,079	16,190	15,839	351
General Administration and Finance				
Administrative Services.....	15,330	14,759	14,759	-
Total Culture and Recreation Fund.....	39,978	33,564	33,213	351
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office.....	2,720	8,666	6,784	1,882
General Administration and Finance				
City Planning.....	400	161	161	-
Total Environmental Protection Fund.....	3,120	8,827	6,945	1,882
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency.....	-	366	366	-
Public Utilities Commission.....	-	1,007	1,007	-
Public Works.....	53,299	31,102	31,077	25
Total Gasoline Tax Fund.....	53,299	32,475	32,450	25

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, 2019
(In Thousands)**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GENERAL SERVICES FUND				
Public Protection				
District Attorney.....	280	200	200	-
Public Works, Transportation and Commerce				
Public Works.....	-	1	1	-
Culture and Recreation				
Fine Arts Museum.....	-	1,281	1,281	-
General Administration and Finance				
Administrative Services.....	223	132	132	-
Assessor / Recorder.....	4,734	2,067	2,067	-
Board of Supervisors.....	18	44	44	-
Elections.....	-	60	60	-
Human Resources.....	120	69	69	-
Mayor's Office.....	150	-	-	-
Telecommunications and Information Services.....	3,126	834	834	-
Treasurer/Tax Collector.....	734	438	438	-
	<u>9,105</u>	<u>3,644</u>	<u>3,644</u>	<u>-</u>
Total General Services Fund.....	<u>9,385</u>	<u>5,126</u>	<u>5,126</u>	<u>-</u>
GIFT AND OTHER EXPENDABLE TRUSTS FUND				
Public Protection				
Fire Department.....	-	45	45	-
Police Department.....	-	431	431	-
	-	476	476	-
Public Works, Transportation and Commerce				
PUC.....	-	5	5	-
Public Works.....	-	3,467	3,467	-
	-	3,472	3,472	-
Human Welfare and Neighborhood Development				
Environment.....	45	260	260	-
Homelessness And Supportive Housing.....	-	664	664	-
Social Services.....	534	32	32	-
Commission on Status of Women.....	22	23	23	-
	<u>601</u>	<u>979</u>	<u>979</u>	<u>-</u>
Community Health				
Community Health Network.....	306	331	331	-
Culture and Recreation				
Arts Commission.....	-	115	115	-
Fine Arts Museums.....	-	150	150	-
Public Library.....	5	13	13	-
Recreation and Park Commission.....	442	370	370	-
	<u>447</u>	<u>648</u>	<u>648</u>	<u>-</u>
General Administration and Finance				
Administrative Services.....	-	52	52	-
Telecommunications and Information Services.....	-	1	1	-
	-	53	53	-
Total Gift and Other Expendable Trusts Fund.....	<u>1,354</u>	<u>5,959</u>	<u>5,959</u>	<u>-</u>

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, 2019
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GOLF FUND				
Culture and Recreation				
Recreation and Park Commission.....	17,569	17,155	15,147	2,008
Total Golf Fund.....	17,569	17,155	15,147	2,008
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women.....	363	436	333	103
Homelessness And Supportive Housing.....	74,482	35,377	35,292	85
Social Services.....	62,068	58,228	58,222	6
Total.....	136,913	94,041	93,847	194
Public Works, Transportation and Commerce				
Public Utilities Commission.....	-	118	118	-
Public Works.....	-	3,913	3,913	-
Total.....	-	4,031	4,031	-
Total Human Welfare Fund.....	136,913	98,072	97,878	194
LOW AND MODERATE INCOME HOUSING ASSET FUND				
Human Welfare and Neighborhood Development				
Mayor's Office.....	5,000	5,241	5,241	-
Total Low and Moderate Income Housing Asset Fund.....	5,000	5,241	5,241	-
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission.....	-	180	180	-
Public Works.....	-	2,093	2,093	-
Total.....	-	2,273	2,273	-
Culture and Recreation				
Arts Commission.....	-	5	5	-
Recreation and Park Commission.....	76,698	56,297	55,385	912
Total.....	76,698	56,302	55,390	912
Total Open Space and Park Fund.....	76,698	58,575	57,663	912
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Works.....	-	2,263	2,263	-
Culture and Recreation				
Public Library.....	160,424	130,681	130,602	79
Total Public Library Fund.....	160,424	132,944	132,865	79
PUBLIC PROTECTION FUND				
Public Protection				
Adult Probation.....	4,476	5,037	5,037	-
District Attorney.....	6,720	6,887	6,887	-
Emergency Communications Department.....	25,389	25,531	25,531	-
Fire Department.....	2	3,654	3,654	-
Juvenile Probation.....	2,291	1,485	1,484	1
Police Commission.....	8,652	29,773	29,770	3
Public Defender.....	457	460	459	1
Sheriff.....	3,859	4,263	4,263	-
Total.....	51,846	77,090	77,085	5
Community Health				
Public Health.....	1,896	1,310	1,310	-
Human Welfare and Neighborhood Development				
Mayor's Office.....	3,931	3,520	3,520	-
Commission on Status of Women.....	-	101	101	-
Total.....	3,931	3,621	3,621	-
General Administration and Finance				
City Attorney.....	4,332	2,832	2,832	-
Total Public Protection Fund.....	62,005	84,853	84,848	5

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, 2019
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Public Works.....	22,270	41,321	36,843	4,478
Human Welfare and Neighborhood Development				
Mayor's Office.....	16,572	17,353	16,563	790
General Administration and Finance				
City Planning.....	-	26	26	-
Total Public Works, Transportation and Commerce Fund.....	38,842	58,700	53,432	5,268
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission.....	-	12	1	11
Public Works.....	-	3,710	3,710	-
	-	3,722	3,711	11
General Administration and Finance				
Administrative Services.....	29,011	55,233	51,153	4,080
Total Real Property Fund.....	29,011	58,955	54,864	4,091
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors.....	229,648	183,167	136,736	46,431
Total SF County Transportation Authority Fund.....	229,648	183,167	136,736	46,431
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Social Services Department.....	5,858	6,994	6,994	-
Total Senior Citizens' Program Fund.....	5,858	6,994	6,994	-
WAR MEMORIAL FUND				
Culture and Recreation				
War Memorial.....	17,544	17,291	16,673	618
Public Works, Transportation and Commerce				
Public Works.....	-	344	344	-
Total War Memorial Fund.....	17,544	17,635	17,017	618
 Total Special Revenue Funds With Legally Adopted Budgets	 \$ 1,543,858	 \$ 1,592,742	 \$ 1,520,407	 \$ 72,335

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Debt Service Funds
June 30, 2019
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Assets:				
Deposits and investments with City Treasury.....	\$ 107,707	\$ -	\$ 3	\$ 107,710
Deposits and investments outside City Treasury.....	-	57,428	35	57,463
Receivables:				
Property taxes and penalties.....	7,637	-	-	7,637
Interest and other.....	1,783	91	-	1,874
Loans receivable (net of allowance for uncollectible amounts).....	-	-	77,998	77,998
Total assets.....	\$ 117,127	\$ 57,519	\$ 78,036	\$ 252,682
Liabilities:				
Unearned revenues and other liabilities.....	\$ 6,581	\$ -	\$ -	\$ 6,581
Bonds, loans, capital leases, and other payables.....	-	-	78,000	78,000
Total liabilities.....	6,581	-	78,000	84,581
Deferred inflows of resources.....	6,397	-	-	6,397
Fund balances:				
Restricted.....	104,149	57,519	36	161,704
Total fund balances.....	104,149	57,519	36	161,704
Total liabilities, deferred inflows of resources and fund balances.....	\$ 117,127	\$ 57,519	\$ 78,036	\$ 252,682

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, 2019
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Revenues:				
Property taxes.....	\$ 289,672	\$ -	\$ -	\$ 289,672
Fines, forfeitures, and penalties.....	17,877	-	-	17,877
Interest and investment income.....	5,814	1,889	10	7,713
Intergovernmental				
State.....	675	-	-	675
Other.....	28,054	-	2,926	30,980
Total revenues.....	<u>342,092</u>	<u>1,889</u>	<u>2,936</u>	<u>346,917</u>
Expenditures:				
Debt service:				
Principal retirement.....	258,966	39,110	3,243	301,319
Interest and other fiscal charges.....	107,138	39,064	3,419	149,621
Total expenditures.....	<u>366,104</u>	<u>78,174</u>	<u>6,662</u>	<u>450,940</u>
Deficiency of revenues under expenditures.....	<u>(24,012)</u>	<u>(76,285)</u>	<u>(3,726)</u>	<u>(104,023)</u>
Other financing sources (uses):				
Transfers in.....	395	78,249	3,739	82,383
Transfers out.....	-	(2,889)	-	(2,889)
Total other financing sources (uses).....	<u>395</u>	<u>75,360</u>	<u>3,739</u>	<u>79,494</u>
Net changes in fund balances.....	<u>(23,617)</u>	<u>(925)</u>	<u>13</u>	<u>(24,529)</u>
Fund balances at beginning of year.....	<u>127,766</u>	<u>58,444</u>	<u>23</u>	<u>186,233</u>
Fund balances at end of year.....	<u>\$ 104,149</u>	<u>\$ 57,519</u>	<u>\$ 36</u>	<u>\$ 161,704</u>

CITY AND COUNTY OF SAN FRANCISCO
Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Debt Service Fund
Year Ended June 30, 2019
(In Thousands)

	General Obligation Bond Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes.....	\$ 213,057	\$ 299,331	\$ 289,672	\$ (9,659)
Fines, forfeitures, and penalties.....	18,474	18,474	17,877	(597)
Interest and investment income.....	-	-	4,659	4,659
Intergovernmental				
State.....	800	800	675	(125)
Other.....	-	24,250	28,054	3,804
Total revenues.....	<u>232,331</u>	<u>342,855</u>	<u>340,937</u>	<u>(1,918)</u>
Expenditures:				
Debt service:				
Principal retirement.....	225,207	260,372	258,966	1,406
Interest and other fiscal charges.....	7,761	107,138	107,138	-
Total expenditures.....	<u>232,968</u>	<u>367,510</u>	<u>366,104</u>	<u>1,406</u>
Deficiency of revenues under expenditures.....	<u>(637)</u>	<u>(24,655)</u>	<u>(25,167)</u>	<u>(512)</u>
Other financing sources:				
Transfers in.....	-	395	395	-
Net changes in fund balance.....	<u>(637)</u>	<u>(24,260)</u>	<u>(24,772)</u>	<u>(512)</u>
Budgetary fund balance, July 1.....	637	136,654	136,654	-
Budgetary fund balance, June 30.....	<u>\$ -</u>	<u>\$ 112,394</u>	<u>\$ 111,882</u>	<u>\$ (512)</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds
June 30, 2019
(In Thousands)

	City Facilities Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Assets:			
Deposits and investments with City Treasury.....	\$ 324,734	\$ 449	\$ -
Deposits and investments outside City Treasury.....	74,943	-	30,542
Receivables:			
Federal and state grants and subventions.....	-	-	-
Interest and other.....	2,837	4	50
Due from other funds.....	-	-	-
Total assets.....	<u>\$ 402,514</u>	<u>\$ 453</u>	<u>\$ 30,592</u>
Liabilities:			
Accounts payable.....	\$ 32,926	\$ 20	\$ 12,293
Accrued payroll.....	379	-	12
Unearned grant and subvention revenue.....	-	-	-
Due to other funds.....	-	-	14,015
Unearned revenues and other liabilities.....	-	10	-
Bonds, loans, capital leases, and other payables.....	776	-	-
Total liabilities.....	<u>34,081</u>	<u>30</u>	<u>26,320</u>
Deferred inflows of resources.....	-	-	-
Fund balances:			
Restricted.....	368,433	423	4,272
Total fund balances.....	<u>368,433</u>	<u>423</u>	<u>4,272</u>
Total liabilities, deferred inflows of resources and fund balances.....	<u>\$ 402,514</u>	<u>\$ 453</u>	<u>\$ 30,592</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds (Continued)
June 30, 2019
(In Thousands)

	Recreation and Park Projects	Street Improvement Fund	Total
Assets:			
Deposits and investments with City Treasury.....	\$ 88,965	\$ 13,530	\$ 427,678
Deposits and investments outside City Treasury.....	-	-	105,485
Receivables:			
Federal and state grants and subventions.....	2,155	18,287	20,442
Interest and other.....	627	158	3,676
Due from other funds.....	-	8,752	8,752
Total assets.....	<u>\$ 91,747</u>	<u>\$ 40,727</u>	<u>\$ 566,033</u>
Liabilities:			
Accounts payable.....	\$ 2,610	\$ 8,420	\$ 56,269
Accrued payroll.....	90	82	563
Unearned grant and subvention revenue.....	3,318	-	3,318
Due to other funds.....	-	-	14,015
Unearned revenues and other liabilities.....	-	9,411	9,421
Bonds, loans, capital leases, and other payables.....	-	-	776
Total liabilities.....	<u>6,018</u>	<u>17,913</u>	<u>84,362</u>
Deferred inflows of resources.....	<u>2,155</u>	<u>8,276</u>	<u>10,431</u>
Fund balances:			
Restricted.....	<u>83,574</u>	<u>14,538</u>	<u>471,240</u>
Total fund balances.....	<u>83,574</u>	<u>14,538</u>	<u>471,240</u>
Total liabilities, deferred inflows of resources and fund balances.....	<u>\$ 91,747</u>	<u>\$ 40,727</u>	<u>\$ 566,033</u>

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, 2019
(In Thousands)

	City Facilities Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Revenues:			
Interest and investment income.....	\$ 14,000	\$ 25	\$ 988
Rents and concessions.....	-	-	-
Intergovernmental:			
Federal.....	-	-	-
State.....	-	-	-
Other.....	-	-	-
Other.....	28,993	-	-
Total revenues.....	<u>42,993</u>	<u>25</u>	<u>988</u>
Expenditures:			
Debt service:			
Interest and other fiscal charges.....	400	-	-
Bond issuance costs.....	56	-	-
Capital outlay.....	191,422	618	66,083
Total expenditures.....	<u>191,878</u>	<u>618</u>	<u>66,083</u>
Deficiency of revenues under expenditures.....	<u>(148,885)</u>	<u>(593)</u>	<u>(65,095)</u>
Other financing sources (uses):			
Transfers in.....	707	-	662
Transfers out.....	(2)	-	-
Total other financing sources (uses).....	<u>705</u>	<u>-</u>	<u>662</u>
Net changes in fund balances.....	<u>(148,180)</u>	<u>(593)</u>	<u>(64,433)</u>
Fund balances at beginning of year.....	516,613	1,016	68,705
Fund balances at end of year.....	<u>\$ 368,433</u>	<u>\$ 423</u>	<u>\$ 4,272</u>

(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, 2019
(In Thousands)

	Recreation and Park Projects	Street Improvement Fund	Total
Revenues:			
Interest and investment income.....	\$ 3,012	\$ 813	\$ 18,838
Rents and concessions.....	-	167	167
Intergovernmental:			
Federal.....	117	13,897	14,014
State.....	4,103	-	4,103
Other.....	-	314	314
Other.....	4,261	2,979	36,233
Total revenues.....	<u>11,493</u>	<u>18,170</u>	<u>73,669</u>
Expenditures:			
Debt service:			
Interest and other fiscal charges.....	2	1	403
Bond issuance costs.....	15	34	105
Capital outlay.....	27,748	38,108	323,979
Total expenditures.....	<u>27,765</u>	<u>38,143</u>	<u>324,487</u>
Deficiency of revenues under expenditures.....	<u>(16,272)</u>	<u>(19,973)</u>	<u>(250,818)</u>
Other financing sources (uses):			
Transfers in.....	-	7,914	9,283
Transfers out.....	-	(71)	(73)
Total other financing sources (uses).....	<u>-</u>	<u>7,843</u>	<u>9,210</u>
Net changes in fund balances.....	<u>(16,272)</u>	<u>(12,130)</u>	<u>(241,608)</u>
Fund balances at beginning of year.....	99,846	26,668	712,848
Fund balances at end of year.....	<u>\$ 83,574</u>	<u>\$ 14,538</u>	<u>\$ 471,240</u>

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, 2019
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Assets:					
Current assets:					
Deposits and investments with City Treasury.....	\$ 2,284	\$ -	\$ 2,754	\$ 20,427	\$ 25,465
Receivables:					
Charges for services.....	42	-	-	-	42
Interest and other.....	-	11	-	405	416
Capital leases receivable.....	-	5,803	-	-	5,803
Restricted assets:					
Deposits and investments outside City Treasury.....	-	6,565	-	-	6,565
Total current assets.....	<u>2,326</u>	<u>12,379</u>	<u>2,754</u>	<u>20,832</u>	<u>38,291</u>
Noncurrent assets:					
Capital leases receivable.....	-	124,340	-	-	124,340
Capital assets:					
Land and other assets not being depreciated.....	74	-	-	239	313
Facilities and equipment, net of depreciation.....	<u>257</u>	<u>-</u>	<u>345</u>	<u>11,175</u>	<u>11,777</u>
Total capital assets.....	<u>331</u>	<u>-</u>	<u>345</u>	<u>11,414</u>	<u>12,090</u>
Total noncurrent assets.....	<u>331</u>	<u>124,340</u>	<u>345</u>	<u>11,414</u>	<u>136,430</u>
Total assets.....	<u>2,657</u>	<u>136,719</u>	<u>3,099</u>	<u>32,246</u>	<u>174,721</u>
Deferred outflows of resources:					
Unamortized loss on refunding of debt.....	-	973	-	-	973
Deferred outflows related to pensions.....	3,814	-	-	11,800	15,614
Deferred outflows related to OPEB.....	<u>1,396</u>	<u>-</u>	<u>-</u>	<u>2,480</u>	<u>3,876</u>
Total deferred outflows of resources.....	<u>5,210</u>	<u>973</u>	<u>-</u>	<u>14,280</u>	<u>20,463</u>
Liabilities:					
Current liabilities:					
Accounts payable.....	723	185	117	1,319	2,344
Accrued payroll.....	540	-	92	1,618	2,250
Accrued vacation and sick leave pay.....	467	-	-	1,469	1,936
Accrued workers' compensation.....	-	-	-	306	306
Bonds, loans, capital leases, and other payables.....	-	5,770	-	313	6,083
Accrued interest payable.....	-	1,037	-	3	1,040
Unearned revenues and other liabilities.....	-	<u>2,522</u>	<u>-</u>	<u>34</u>	<u>2,556</u>
Total current liabilities.....	<u>1,730</u>	<u>9,514</u>	<u>209</u>	<u>5,062</u>	<u>16,515</u>
Noncurrent liabilities:					
Accrued vacation and sick leave pay.....	330	-	-	1,319	1,649
Accrued workers' compensation.....	-	-	-	1,391	1,391
Bonds, loans, capital leases, and other payables.....	-	127,822	-	635	128,457
Net pension liability.....	12,065	-	-	37,321	49,386
Net other postemployment benefits (OPEB) liability.....	<u>16,019</u>	<u>-</u>	<u>-</u>	<u>28,450</u>	<u>44,469</u>
Total noncurrent liabilities.....	<u>28,414</u>	<u>127,822</u>	<u>-</u>	<u>69,116</u>	<u>225,352</u>
Total liabilities.....	<u>30,144</u>	<u>137,336</u>	<u>209</u>	<u>74,178</u>	<u>241,867</u>
Deferred inflows of resources:					
Unamortized gain on refunding of debt.....	-	356	-	-	356
Deferred inflows related to pensions.....	2,291	-	-	7,091	9,382
Deferred inflows related to OPEB.....	<u>1,486</u>	<u>-</u>	<u>-</u>	<u>2,638</u>	<u>4,124</u>
Total deferred inflows of resources.....	<u>3,777</u>	<u>356</u>	<u>-</u>	<u>9,729</u>	<u>13,862</u>
Net position:					
Net investment in capital assets.....	331	-	345	10,466	11,142
Unrestricted (deficit).....	<u>(26,385)</u>	<u>-</u>	<u>2,545</u>	<u>(47,847)</u>	<u>(71,687)</u>
Total net position.....	<u>\$ (26,054)</u>	<u>\$ -</u>	<u>\$ 2,890</u>	<u>\$ (37,381)</u>	<u>\$ (60,545)</u>

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position Internal Service Funds

Year Ended June 30, 2019
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Operating revenues:					
Charges for services.....	\$ 33,262	\$ -	\$ 8,960	\$ 112,295	\$ 154,517
Rents and concessions.....	-	-	-	528	528
Total operating revenues.....	<u>33,262</u>	<u>-</u>	<u>8,960</u>	<u>112,823</u>	<u>155,045</u>
Operating expenses:					
Personal services.....	15,114	-	2,262	42,603	59,979
Contractual services.....	3,176	-	5,399	53,853	62,428
Materials and supplies.....	12,285	-	282	3,802	16,369
Depreciation and amortization.....	137	-	92	2,630	2,859
General and administrative.....	1,177	-	169	1,368	2,714
Services provided by other departments.....	1,293	-	568	9,044	10,905
Other.....	10	-	58	3,194	3,262
Total operating expenses.....	<u>33,192</u>	<u>-</u>	<u>8,830</u>	<u>116,494</u>	<u>158,516</u>
Operating income (loss).....	<u>70</u>	<u>-</u>	<u>130</u>	<u>(3,671)</u>	<u>(3,471)</u>
Nonoperating revenues (expenses):					
Interest and investment income.....	-	3,231	27	341	3,599
Interest expense.....	(47)	(3,853)	-	(11)	(3,911)
Other, net.....	<u>1</u>	<u>622</u>	<u>1</u>	<u>41</u>	<u>665</u>
Total nonoperating revenues (expenses).....	<u>(46)</u>	<u>-</u>	<u>28</u>	<u>371</u>	<u>353</u>
Income (loss) before transfers.....	24	-	158	(3,300)	(3,118)
Transfers in.....	47	-	-	-	47
Transfers out.....	-	-	(27)	(1,355)	(1,382)
Change in net position.....	<u>71</u>	<u>-</u>	<u>131</u>	<u>(4,655)</u>	<u>(4,453)</u>
Net position (deficit) at beginning of year.....	(26,125)	-	2,759	(32,726)	(56,092)
Net position (deficit) at end of year.....	<u>\$ (26,054)</u>	<u>\$ -</u>	<u>\$ 2,890</u>	<u>\$ (37,381)</u>	<u>\$ (60,545)</u>

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Cash Flows Internal Service Funds

Year Ended June 30, 2019
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers.....	\$ 33,309	\$ 21,694	\$ 8,983	\$ 154,823	\$ 218,809
Cash paid for employees' services.....	(15,269)	-	(2,251)	(42,247)	(59,767)
Cash paid to suppliers for goods and services.....	(19,587)	(6,538)	(6,658)	(117,492)	(150,275)
Net cash provided by (used in) operating activities.....	(1,547)	15,156	74	(4,916)	8,767
Cash flows from noncapital financing activities:					
Transfers in.....	47	-	-	-	47
Transfers out.....	-	-	(27)	(1,355)	(1,382)
Net cash provided by (used in) noncapital financing activities.....	47	-	(27)	(1,355)	(1,335)
Cash flows from capital and related financing activities:					
Bond sale proceeds.....	-	55,231	-	-	55,231
Acquisition of capital assets.....	(74)	-	(80)	(3,252)	(3,406)
Retirement of capital lease obligation.....	-	(92,410)	-	(309)	(92,719)
Bond issue costs paid.....	-	(644)	-	-	(644)
Interest paid on long-term debt.....	-	(3,965)	-	(12)	(3,977)
Other capital financing sources.....	-	7,566	-	-	7,566
Net cash used in capital and related financing activities.....	(74)	(34,222)	(80)	(3,573)	(37,949)
Cash flows from investing activities:					
Proceeds from sale of investments with trustees.....	-	2,260	-	-	2,260
Interest and investment income.....	-	142	27	341	510
Other investing activities.....	(47)	-	-	-	(47)
Net cash provided by (used in) investing activities.....	(47)	2,402	27	341	2,723
Change in cash and cash equivalents.....	(1,621)	(16,664)	(6)	(9,503)	(27,794)
Cash and cash equivalents at beginning of year.....	3,905	23,229	2,760	29,930	59,824
Cash and cash equivalents at end of year.....	\$ 2,284	\$ 6,565	\$ 2,754	\$ 20,427	\$ 32,030
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss).....	\$ 70	\$ -	\$ 130	\$ (3,671)	\$ (3,471)
Adjustments for non-cash and other activities:					
Depreciation and amortization.....	137	-	92	2,630	2,859
Other.....	1	-	1	41	43
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:					
Receivables, net.....	45	18,382	25	138	18,590
Accounts payable.....	(1,646)	-	(185)	(4,411)	(6,242)
Accrued payroll.....	(21)	-	11	(102)	(112)
Accrued vacation and sick leave pay.....	34	-	-	100	134
Accrued workers' compensation.....	-	-	-	(62)	(62)
Unearned revenue and other liabilities.....	-	(3,226)	-	-	(3,226)
Net pension liability and pension related deferred outflows and inflows of resources.....	(291)	-	-	(2,189)	(2,480)
Net OPEB liability and OPEB related deferred outflows and inflows of resources.....	124	-	-	2,610	2,734
Total adjustments.....	(1,617)	15,156	(56)	(1,245)	12,238
Net cash provided by (used in) operating activities.....	\$ (1,547)	\$ 15,156	\$ 74	\$ (4,916)	\$ 8,767
Reconciliation of cash and cash equivalents to the combining statement of net position:					
Deposits and investments with City Treasury:					
Unrestricted.....	\$ 2,284	\$ -	\$ 2,754	\$ 20,427	\$ 25,465
Deposits and investments outside City Treasury:					
Restricted.....	-	6,565	-	-	6,565
Cash and cash equivalents at end of year on statement of cash flows.....	\$ 2,284	\$ 6,565	\$ 2,754	\$ 20,427	\$ 32,030
Non-cash capital and related financing activities:					
Acquisition of capital assets on accounts payable and capital lease.....	\$ 74	\$ -	\$ -	\$ -	\$ 74

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 Fund – Accounts for Citywide payroll, including monies held for payroll charges including federal, state and other payroll related deductions.

State Revenue Collection Fund – Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

Tax Collection Fund – Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

Transit Fund – Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

Other Agency Funds – Accounts for monies held as agent for a variety of purposes.

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
June 30, 2019
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post- employment Benefit Trust Fund	Total
	Employees Retirement System	Health Service System	Retiree Health Care	
Assets				
Deposits and investments with City Treasury.....	\$ 31,264	\$ 102,304	\$ 2,508	\$ 136,076
Deposits and investments outside City Treasury:				
Cash and deposits.....	62,375	-	-	62,375
Short term investments.....	479,876	-	1,085	480,961
Debt securities.....	2,783,115	-	86,210	2,869,325
Equity securities.....	8,455,582	-	297,353	8,752,935
Real assets.....	4,334,229	-	-	4,334,229
Private equity and other alternative investments.....	9,937,307	-	-	9,937,307
Foreign currency contracts, net.....	96	-	-	96
Receivables:				
Employer and employee contributions.....	14,532	24,412	3,475	42,419
Brokers, general partners and others.....	145,829	-	-	145,829
Interest and other.....	22,932	649	423	24,004
Other assets.....	-	3,066	-	3,066
Total assets.....	<u>26,267,137</u>	<u>130,431</u>	<u>391,054</u>	<u>26,788,622</u>
Deferred outflows related to OPEB.....	<u>1,027</u>	<u>-</u>	<u>-</u>	<u>1,027</u>
Liabilities				
Accounts payable.....	28,074	7,281	55	35,410
Estimated claims payable.....	-	27,899	-	27,899
Payable to brokers.....	148,518	-	361	148,879
Other liabilities.....	45	3,092	-	3,137
Net other postemployment benefits (OPEB) liability.....	<u>11,785</u>	<u>-</u>	<u>-</u>	<u>11,785</u>
Total liabilities.....	<u>188,422</u>	<u>38,272</u>	<u>416</u>	<u>227,110</u>
Deferred inflows related to OPEB.....	<u>1,093</u>	<u>-</u>	<u>-</u>	<u>1,093</u>
Net Position				
Restricted for pension and other employee benefits.....	<u>\$ 26,078,649</u>	<u>\$ 92,159</u>	<u>\$ 390,638</u>	<u>\$ 26,561,446</u>

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, 2019
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post- employment Benefit Trust Fund	
	Employees Retirement System	Health Service System	Retiree Health Care	Total
Additions:				
Employee contributions.....	\$ 380,980	\$ 154,200	\$ 51,970	\$ 587,150
Employer contributions.....	645,056	789,836	229,691	1,664,583
Total contributions.....	1,026,036	944,036	281,661	2,251,733
Investment income (expenses):				
Interest.....	95,100	2,031	5,837	102,968
Dividends.....	203,047	-	-	203,047
Net appreciation (depreciation) in fair value of investments...	1,720,605	887	23,262	1,744,754
Total investment income.....	2,018,752	2,918	29,099	2,050,769
Less investment expenses:				
Other Investment expenses.....	(48,440)	-	(318)	(48,758)
Total additions, net.....	2,996,348	946,954	310,442	4,253,744
Deductions:				
Benefit payments.....	1,438,935	932,244	194,563	2,565,742
Refunds of contributions.....	17,747	-	-	17,747
Administrative expenses.....	18,983	-	132	19,115
Total deductions.....	1,475,665	932,244	194,695	2,602,604
Change in net position.....	1,520,683	14,710	115,747	1,651,140
Net position at beginning of year.....	24,557,966	77,449	274,891	24,910,306
Net position at end of year.....	\$ 26,078,649	\$ 92,159	\$ 390,638	\$ 26,561,446

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2019
(In Thousands)

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Assistance Program Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 18,025	\$ 2,360	\$ 2,094	\$ 18,291
Receivables:				
Interest and other.....	70	741	686	125
Total assets.....	<u>\$ 18,095</u>	<u>\$ 3,101</u>	<u>\$ 2,780</u>	<u>\$ 18,416</u>
Liabilities				
Accounts payable.....	\$ -	\$ 441	\$ 441	\$ -
Agency obligations.....	18,095	2,227	1,906	18,416
Total liabilities.....	<u>\$ 18,095</u>	<u>\$ 2,668</u>	<u>\$ 2,347</u>	<u>\$ 18,416</u>
Deposits Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 16,070	\$ 29,881	\$ 31,699	\$ 14,252
Receivables:				
Interest and other.....	14	307	291	30
Other assets.....	45,538	-	-	45,538
Total assets.....	<u>\$ 61,622</u>	<u>\$ 30,188</u>	<u>\$ 31,990</u>	<u>\$ 59,820</u>
Liabilities				
Accounts payable.....	\$ 822	\$ 9,957	\$ 10,779	\$ -
Agency obligations.....	60,800	31,335	32,315	59,820
Total liabilities.....	<u>\$ 61,622</u>	<u>\$ 41,292</u>	<u>\$ 43,094</u>	<u>\$ 59,820</u>
Payroll Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 4,493	\$ 3,820,662	\$ 3,825,155	\$ -
Receivables:				
Employer and employee contributions.....	139,037	148,449	139,326	148,160
Total assets.....	<u>\$ 143,530</u>	<u>\$ 3,969,111</u>	<u>\$ 3,964,481</u>	<u>\$ 148,160</u>
Liabilities				
Accounts payable.....	\$ 45,228	\$ 1,375,517	\$ 1,372,234	\$ 48,511
Agency obligations.....	98,302	3,686,911	3,685,564	99,649
Total liabilities.....	<u>\$ 143,530</u>	<u>\$ 5,062,428</u>	<u>\$ 5,057,798</u>	<u>\$ 148,160</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
State Revenue Collection Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 11,057	\$ 39,714	\$ 49,001	\$ 1,770
Receivables:				
Interest and other.....	-	7	6	1
Total assets.....	<u>\$ 11,057</u>	<u>\$ 39,721</u>	<u>\$ 49,007</u>	<u>\$ 1,771</u>
Liabilities				
Accounts payable.....	\$ 3,058	\$ 53,637	\$ 56,599	\$ 96
Agency obligations.....	7,999	35,879	42,203	1,675
Total liabilities.....	<u>\$ 11,057</u>	<u>\$ 89,516</u>	<u>\$ 98,802</u>	<u>\$ 1,771</u>
Tax Collection Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 70,056	\$ 5,580,935	\$ 5,509,963	\$ 141,028
Deposits and investments outside City Treasury.....	464	34	464	34
Receivables:				
Interest and other.....	586,275	3,426,670	3,877,991	134,954
Total assets.....	<u>\$ 656,795</u>	<u>\$ 9,007,639</u>	<u>\$ 9,388,418</u>	<u>\$ 276,016</u>
Liabilities				
Accounts payable.....	\$ 31,052	\$ 84,307	\$ 115,359	\$ -
Agency obligations.....	625,743	3,797,936	4,147,663	276,016
Total liabilities.....	<u>\$ 656,795</u>	<u>\$ 3,882,243</u>	<u>\$ 4,263,022</u>	<u>\$ 276,016</u>
Transit Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 6,141	\$ 90,320	\$ 90,758	\$ 5,703
Receivables:				
Interest and other.....	7	189	142	54
Total assets.....	<u>\$ 6,148</u>	<u>\$ 90,509</u>	<u>\$ 90,900</u>	<u>\$ 5,757</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Other Agency Funds				
Assets				
Deposits and investments with City Treasury.....	\$ 70,630	\$ 241,572	\$ 224,282	\$ 87,920
Deposits and investments outside City Treasury.....	212	-	212	-
Receivables:				
Interest and other.....	418	1,384	1,073	729
Total assets.....	<u>\$ 71,260</u>	<u>\$ 242,956</u>	<u>\$ 225,567</u>	<u>\$ 88,649</u>
Liabilities				
Accounts payable.....	\$ 7,483	\$ 101,567	\$ 108,098	\$ 952
Agency obligations.....	63,777	220,599	196,679	87,697
Total liabilities.....	<u>\$ 71,260</u>	<u>\$ 322,166</u>	<u>\$ 304,777</u>	<u>\$ 88,649</u>
Total Agency Funds				
Assets				
Deposits and investments with City Treasury.....	\$ 196,472	\$ 9,805,444	\$ 9,732,952	\$ 268,964
Deposits and investments outside City Treasury.....	676	34	676	34
Receivables:				
Employer and employee contributions.....	139,037	148,449	139,326	148,160
Interest and other.....	586,784	3,429,298	3,880,189	135,893
Other assets.....	45,538	-	-	45,538
Total assets.....	<u>\$ 968,507</u>	<u>\$ 13,383,225</u>	<u>\$ 13,753,143</u>	<u>\$ 598,589</u>
Liabilities				
Accounts payable.....	\$ 92,452	\$ 1,662,684	\$ 1,705,565	\$ 49,571
Agency obligations.....	876,055	7,827,919	8,154,956	549,018
Total liabilities.....	<u>\$ 968,507</u>	<u>\$ 9,490,603</u>	<u>\$ 9,860,521</u>	<u>\$ 598,589</u>



This page has been intentionally left blank.



STATISTICAL SECTION



This page has been intentionally left blank.

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.



This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2010	2011	2012	2013 ⁽¹⁾	2014	2015 ⁽²⁾	2016	2017	⁽⁴⁾ ⁽⁵⁾	2019
Governmental activities										
Net investment in capital assets.....	\$ 1,833,733	\$ 1,910,341	\$ 2,199,316	\$ 2,275,963	\$ 2,483,086	\$ 2,684,808	\$ 2,750,782	\$ 2,873,927	\$ 3,311,218	\$ 3,681,341
Restricted for:										
Reserve for rainy day.....	39,582	33,439	34,109	26,339	83,194	114,969	120,106	125,689	143,977	324,977
Debt service.....	34,308	36,805	48,202	98,754	91,900	87,772	83,029	108,179	136,132	104,720
Capital projects.....	63,323	82,315	91,997	154,502	110,608	28,263	198,962	257,634	196,598	186,015
Community development.....	66,251	59,763	240,771	109,423	200,640	297,094	433,398	434,691	427,684	624,127
Transportation Authority activities.....	1,966	1,386	6,705	10,924	12,496	13,486	15,657	16,189	17,499	21,554
Building inspection programs.....	21,837	32,112	49,364	71,131	97,928	109,512	134,663	150,109	155,448	166,510
Children and families.....	40,886	45,827	53,632	56,170	59,572	100,892	105,177	115,284	134,548	181,248
Culture, recreation, grants and other purposes.....	113,917	155,152	150,383	158,973	206,368	209,399	240,524	265,444	319,595	415,236
Unrestricted (deficit).....	<u>(1,062,818)</u>	<u>(1,046,861)</u>	<u>(954,469)</u>	<u>(1,142,020)</u>	<u>(1,004,161)</u>	<u>(2,358,981)</u>	<u>(2,073,235)</u>	<u>(2,560,735)</u>	<u>(2,950,722)</u>	<u>(2,804,237)</u>
Total governmental activities net position.....	\$ 1,152,985	\$ 1,310,279	\$ 1,920,010	\$ 1,820,159	\$ 2,341,631	\$ 1,287,214	\$ 2,009,063	\$ 1,786,411	\$ 1,891,977	\$ 2,901,491
Business-type activities										
Net investment in capital assets.....	\$ 4,277,799	\$ 4,481,404	\$ 4,538,990	\$ 4,691,579	\$ 4,832,659	\$ 5,117,679	\$ 5,690,741	\$ 5,752,069	\$ 6,176,022	\$ 6,764,333
Restricted for:										
Debt service.....	71,128	62,421	53,951	58,970	64,143	100,923	127,073	202,262	294,499	331,118
Capital projects.....	188,580	161,580	176,570	299,942	363,601	358,745	340,896	394,634	515,072	556,980
Other purposes.....	18,854	18,741	18,913	13,046	24,721	35,986	70,505	93,696	294,122	165,675
Unrestricted.....	<u>259,533</u>	<u>268,328</u>	<u>242,842</u>	<u>610,565</u>	<u>732,736</u>	<u>(335,083)</u>	<u>(231,379)</u>			
Total business-type activities net position.....	\$ 4,815,894	\$ 4,992,474	\$ 5,031,266	\$ 5,674,102	\$ 6,017,860	\$ 5,278,250	\$ 5,997,836	\$ 5,771,902	\$ 5,787,002	\$ 6,700,721
Primary government										
Net investment in capital assets ⁽³⁾	\$ 5,735,844	\$ 5,993,892	\$ 6,459,434	\$ 6,692,499	\$ 7,032,674	\$ 7,520,698	\$ 8,151,422	\$ 8,321,778	\$ 9,157,665	\$ 10,048,870
Restricted for:										
Reserve for rainy day.....	39,582	33,439	34,109	26,339	83,194	114,969	120,106	125,689	143,977	324,977
Debt service.....	105,436	99,226	102,153	157,724	156,043	188,695	210,102	310,441	430,631	435,838
Capital projects ⁽³⁾	239,209	223,694	246,027	356,002	418,103	330,213	423,132	569,948	569,115	692,052
Community development.....	66,251	59,763	240,771	109,423	200,640	297,094	433,398	434,691	427,684	624,127
Transportation Authority activities.....	1,966	1,386	6,705	10,924	12,496	13,486	15,657	16,189	17,499	21,554
Building inspection programs.....	21,837	32,112	49,364	71,131	97,928	109,512	134,663	150,109	155,448	166,510
Children and families.....	40,886	45,827	53,632	56,170	59,572	100,892	105,177	115,284	134,548	181,248
Culture, recreation, grants and other purposes.....	132,771	173,893	169,296	172,019	231,089	245,385	311,029	359,140	613,717	580,911
Unrestricted (deficit) ⁽³⁾	<u>(414,903)</u>	<u>(360,479)</u>	<u>(410,215)</u>	<u>(157,970)</u>	<u>67,752</u>	<u>(2,355,480)</u>	<u>(1,897,787)</u>	<u>(2,844,956)</u>	<u>(3,971,305)</u>	<u>(3,473,875)</u>
Total primary government activities net position.....	\$ 5,968,879	\$ 6,302,753	\$ 6,951,276	\$ 7,494,261	\$ 8,359,491	\$ 6,565,464	\$ 8,006,899	\$ 7		

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.
- (4) In fiscal year 2018, the City adopted the provisions of GASB Statement No.75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.
- (5) See Note 2(t) to the basic financial statements.

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET POSITION

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
Public protection.....	\$ 1,089,309	\$ 1,099,791	\$ 1,158,618	\$ 1,236,922	\$ 1,229,591	\$ 1,108,200	\$ 1,222,549	\$ 1,692,224	\$ 1,496,749	\$ 1,496,341
Public works, transportation and commerce.....	225,589	239,230	210,415	189,124	200,712	270,454	418,978	387,423	321,577	331,717
Human welfare and neighborhood development.....	933,039	885,194	942,523	946,562	1,009,190	1,073,652	1,233,403	1,543,047	1,552,060	1,720,425
Community health.....	599,741	613,883	673,905	751,491	786,761	735,040	747,071	868,628	914,512	960,422
Culture and recreation.....	310,063	318,083	307,269	338,042	357,620	355,676	311,028	539,516	425,668	594,219
General administration and finance.....	221,471	224,027	237,818	249,271	298,563	249,823	246,383	337,209	430,711	330,358
General City responsibilities.....	80,246	84,444	96,147	83,895	85,239	94,577	113,490	145,247	118,956	156,907
Unallocated Interest on long-term debt and cost of issuance ⁽¹⁾	102,635	110,142	110,145	107,790	115,880	115,030	115,357	113,264	138,048	153,220
Total governmental activities expenses.....	3,562,093	3,574,794	3,736,840	3,903,097	4,083,556	4,002,452	4,408,259	5,626,558	5,398,281	5,743,609
Business-type activities:										
Airport.....	662,347	690,875	746,610	756,961	827,658	853,338	900,621	1,122,802	1,092,154	1,067,265
Transportation.....	905,694	905,218	959,088	1,026,726	1,037,368	1,018,251	1,106,420	1,468,586	1,304,254	1,304,358
Port.....	73,573	68,661	72,307	81,422	88,551	88,436	91,449	118,361	102,667	123,116
Water.....	325,242	362,802	431,248	445,804	470,200	438,885	470,254	572,509	536,068	536,480
Power.....	119,109	119,282	130,709	129,790	137,639	149,438	153,472	198,621	202,366	314,471
Hospitals.....	842,488	885,294	954,566	992,687	1,011,452	996,395	1,050,618	1,370,154	1,294,045	1,236,823
Sewer.....	201,403	201,629	214,593	223,727	243,466	239,556	244,289	273,077	264,298	304,010
Market.....	1,119	1,152	1,138	1,231	120	-	-	-	-	-
Total business-type activities expenses.....	3,130,975	3,234,913	3,510,259	3,658,348	3,816,454	3,784,299	-	-	-	-
Total primary government expenses.....	\$ 6,693,068	\$ 6,809,707	\$ 7,247,099	\$ 7,561,445	\$ 7,900,010	\$ 7,786,751	\$ 8,425,382	\$ 10,750,668	\$ 10,194,133	\$ 10,630,132
Program Revenues										
Governmental activities:										
Charges for services:										
Public protection.....	\$ 58,980	\$ 62,105	\$ 61,412	\$ 60,190	\$ 69,673	\$ 70,444	\$ 86,164	\$ 83,896	\$ 87,614	\$ 121,848
Public works, transportation and commerce.....	71,288	101,846	93,809	105,981	135,842	128,661	130,410	148,804	157,418	164,578
Human welfare and neighborhood development.....	25,813	56,628	68,794	69,997	99,848	96,012	273,986	164,755	82,925	134,839
Community health.....	65,756	64,419	58,864	60,856	67,680	93,130	90,078	68,601	104,335	101,678
Culture and recreation.....	81,855	76,528	78,828	93,612	89,969	98,302	98,205	97,614	125,776	136,928
General administration and finance.....	35,190	37,601	44,358	76,903	66,071	89,403	52,417	45,385	73,235	99,278
General City responsibilities.....	37,806	29,316	29,142	50,121	39,445	37,031	45,922	37,367	54,136	56,027
Operating Grants and Contributions.....	997,091	1,040,116	998,701	1,086,154	1,142,094	1,165,340	1,289,902	1,263,262	1,279,900	1,392,516
Capital Grants and Contributions.....	50,349	57,719	41,174	29,718	39,379	48,233	24,795	19,493	63,181	233,184
Total Governmental activities program revenues.....	1,424,128	1,526,278	1,475,082	1,633,532	1,750,001	1,826,556	-	-	-	-
Business-type activities:										
Charges for services:										
Airport.....	578,041	607,323	668,672	726,358	770,691	815,364	866,991	926,800	1,063,802	980,443
Transportation.....	311,311	334,140	350,464	494,805	521,628	499,584	495,296	500,030	511,984	505,159
Port.....	66,579	72,266	77,260	80,202	85,019	95,296	99,733	113,353	109,769	122,033
Water.....	265,218	288,395	342,101	721,470	379,882	426,047	419,516	460,331	525,639	542,391
Power.....	128,590	140,035	127,309	133,927	134,438	147,803	164,736	189,979	191,963	345,386
Hospitals.....	606,276	726,522	740,920	868,244	951,038	894,718	922,320	873,221	967,936	1,014,124
Sewer.....	209,843	229,216	244,155	252,554	260,097	256,002	261,775	277,341	315,096	331,081
Market.....	1,681	1,655	1,672	1,715	141	-	-	-	-	-
Operating Grants and Contributions.....	182,572	204,153	200,318	224,382	190,351	191,101	199,623	270,167	217,506	251,757
Capital Grants and Contributions.....	180,253	213,364	173,975	251,753	515,445	357,819	374,924	353,046	456,166	467,069
Total business-type activities program revenues.....	2,530,364	2,817,069	2,926,846	3,755,410	3,808,730	3,683,734	-	-	-	-
Total primary government program revenues.....	\$ 3,954,492	\$ 4,343,347	\$ 4,401,928	\$ 5,388,942	\$ 5,558,731	\$ 5,510,290	\$ 5,896,793	\$ 5,893,445	\$ 6,388,379	\$ 7,000,319

Notes:

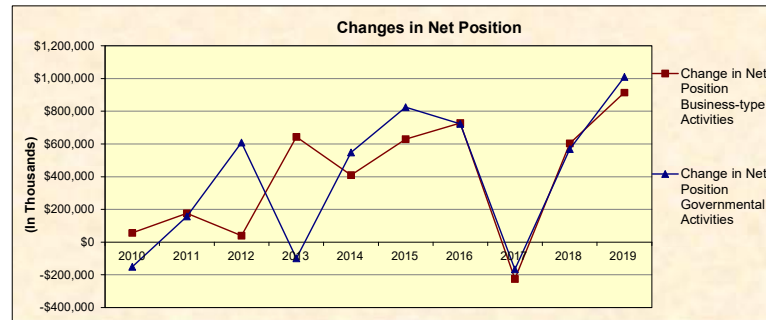
- (1) The City adopted GASB Statement No. 65 in fiscal year 2014 and began reporting the cost of issuance as an expense. Prior fiscal years have not been restated.
- (2) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos.68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.
- (3) In fiscal year 2017-18, the City adopted the provisions of GASB Statement No.75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.
- (4) See Note 2(t) to the basic financial statements.

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (expenses)/revenue										
Governmental activities.....	\$ (2,137,965)	\$ (2,048,516)	\$ (2,261,758)	\$ (2,269,565)	\$ (2,333,555)	\$ (2,175,896)	\$ (2,316,380)	\$ (3,697,381)	\$ (3,369,763)	\$ (3,302,733)
Business-type activities.....	(600,611)	(417,844)	(583,413)	97,062	(7,724)	(100,565)				
Total primary government net expenses.....	\$ (2,738,576)	\$ (2,466,360)	\$ (2,845,171)	\$ (2,172,503)	\$ (2,341,279)	\$ (2,276,461)	\$ (2,528,589)	\$ (4,857,223)	\$ (3,805,754)	\$ (3,629,813)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes.....	\$ 1,345,040	\$ 1,340,590	\$ 1,355,855	\$ 1,415,068	\$ 1,521,471	\$ 1,640,383	\$ 1,808,917	\$ 1,951,696	\$ 2,363,863	\$ 2,581,308
Business taxes.....	354,019	391,779	437,678	480,131	563,406	611,932	660,926	702,331	899,142	919,552
Sales and use tax.....	164,769	181,474	198,236	208,025	227,636	240,424	270,051	291,395	293,916	329,296
Hotel room tax.....	186,849	209,962	239,567	238,782	310,052	394,262	387,661	370,344	382,176	408,348
Utility users tax.....	94,537	91,683	91,676	91,871	86,810	98,979	98,651	101,203	94,460	93,918
Other local taxes.....	194,070	251,285	353,746	359,808	391,638	451,994	399,862	542,567	424,187	515,435
Interest and investment income.....	27,877	17,645	31,453	7,862	21,887	20,737	24,048	35,240	46,020	178,350
Other.....	54,410	58,524	91,236	52,865	70,024	46,906	59,266	182,933	71,834	88,788
Transfers - internal activities of primary government.....	(435,824)	(337,132)	(251,088)	(483,028)	(311,627)	(504,791)				
Special item.....	-	-	-	-	-	-	-	-	116,690	-
Extraordinary gain (loss).....	-	-	323,130	(201,670)	-	-	-	-	-	-
Total governmental activities.....	1,985,747	2,205,810	2,871,489	2,169,714	2,881,297	3,000,826	3,038,229	3,529,767	3,939,005	4,312,247
Business-type activities:										
Interest and investment income.....	44,471	42,299	82,533	1,009	29,843	25,999	28,566	28,547	39,010	182,666
Other.....	176,064	214,993	288,584	61,737	82,737	200,148	240,636	257,419	246,827	237,045
Transfers - internal activities of primary government.....	435,824	337,132	251,088	483,028	311,627	504,791	671,173	647,942	753,283	802,748
Special item.....	-	-	-	-	-	-	-	-	-	-
Extraordinary gain (loss).....	-	-	-	-	(6,843)	-	-	-	-	-
Total business-type activities.....	656,359	594,424	622,205	545,774	417,364	730,938				
Total primary government.....	\$ 2,642,106	\$ 2,800,234	\$ 3,493,694	\$ 2,715,488	\$ 3,298,661	\$ 3,731,764	\$ 3,978,604	\$ 4,463,675	\$ 4,978,125	\$ 5,553,046
Change in Net Position										
Governmental activities.....	\$ (152,218)	\$ 157,294	\$ 609,731	\$ (99,851)	\$ 547,742	\$ 824,930	\$ 721,849	\$ (167,614)	\$ 569,242	\$ 1,009,514
Business-type activities.....	55,748	176,580	38,792	642,836	409,640	630,373				
Total primary government.....	\$ (96,470)	\$ 333,874	\$ 648,523	\$ 542,985	\$ 957,382	\$ 1,455,303	\$			



Notes:

- (1) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos. 68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.
- (2) In fiscal year 2017-18, the City adopted the provisions of GASB Statement No. 75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.
- (3) See Note 2(t) to the basic financial statements.



This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)
 (In Thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	
General Fund										
Nonspendable.....	\$ 14,874	\$ 20,501	\$ 19,598	\$ 23,854	\$ 24,022	\$ 24,786	\$ 522	\$ 525	\$ 1,512	
Restricted.....	39,582	33,439	34,109	26,339	83,194	114,969	120,106	125,689	143,977	
Committed.....	4,677	33,431	79,276	137,487	145,126	142,815	187,170	327,607	371,698	
Assigned.....	132,645	240,635	305,413	353,191	508,903	705,076	879,567	1,088,288	1,291,499	
Unassigned.....	-	-	17,329	-	74,317	157,550	241,797	328,594	413,255	631,437
Total general fund.....	<u>\$ 191,778</u>	<u>\$ 328,006</u>	<u>\$ 455,725</u>	<u>\$ 540,871</u>	<u>\$ 835,562</u>	<u>\$ 1,145,196</u>	<u>\$ 1,429,162</u>	<u>\$ 1,870,703</u>	<u>\$ 2,221,941</u>	<u>\$ 2,717,023</u>
All other governmental funds										
Nonspendable.....	\$ 192	\$ 192	\$ 1,104	\$ 274	\$ 441	\$ 329	\$ 82	\$ 82	\$ 82	
Restricted.....	861,188	831,269	1,189,102	1,191,189	1,115,226	1,110,836	1,443,956	1,701,020	2,232,040	
Assigned.....	27,493	27,622	28,006	30,759	50,733	66,740	66,085	78,413	124,076	114,640
Unassigned.....	(81,566)	(59,523)	(136,856)	(94,532)	(64,983)	(34,158)	(103,811)	(245,445)	(904)	
Total other governmental funds.....	<u>\$ 807,307</u>	<u>\$ 799,560</u>	<u>\$ 1,081,356</u>	<u>\$ 1,127,690</u>	<u>\$ 1,101,417</u>	<u>\$ 1,143,747</u>	<u>\$ 1,406,312</u>	<u>\$ 1,534,070</u>	<u>\$ 2,355,294</u>	

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Property taxes.....	\$ 1,331,957	\$ 1,380,356	\$ 1,352,857	\$ 1,421,764	\$ 1,517,261	\$ 1,642,159	\$ 1,798,776	\$ 1,937,694	\$ 2,171,601	\$ 2,765,473
Business taxes.....	354,019	391,779	437,678	480,131	563,406	611,932	660,926	702,331	899,142	919,552
Sales and use tax.....	164,769	181,474	198,236	208,025	227,636	240,424	267,443	291,710	296,209	329,296
Hotel room tax.....	186,849	209,962	239,567	238,782	310,052	394,262	387,661	370,344	382,176	408,348
Utility users tax.....	94,537	91,683	91,676	91,871	86,810	98,979	98,651	101,203	94,460	93,918
Other local taxes.....	194,070	251,285	353,889	359,808	391,638	451,994	399,882	542,567	424,187	515,435
Licenses, permits and franchises.....	33,625	35,977	39,770	40,901	42,371	42,959	43,722	44,397	43,180	43,416
Fines, forfeitures and penalties.....	22,255	11,770	30,090	49,841	28,425	28,154	36,169	30,798	34,220	48,896
Interest and investment income.....	27,038	17,041	31,371	7,489	21,678	20,583	23,931	35,089	45,890	177,832
Rent and concessions.....	78,527	78,995	89,183	98,770	90,712	99,102	135,865	100,544	105,284	155,346
Intergovernmental:										
Federal.....	448,890	484,704	420,974	420,775	426,314	465,196	416,823	411,369	421,024	442,328
State.....	552,641	581,119	588,532	656,141	721,735	751,574	776,866	823,012	875,402	964,916
Other.....	7,397	32,017	33,181	41,789	9,408	15,774	85,872	13,814	16,993	13,630
Charges for services.....	243,128	258,015	264,856	296,059	333,904	359,044	392,665	378,437	415,569	437,540
Other.....	51,023	97,194	83,634	81,014	134,923	123,605	264,722	188,311	186,034	246,010
Total revenues.....	<u>3,790,725</u>	<u>4,103,371</u>	<u>4,255,494</u>	<u>4,493,160</u>	<u>4,906,273</u>	<u>5,345,741</u>	<u>5,789,974</u>	<u>5,971,620</u>	<u>6,411,371</u>	<u>7,561,936</u>
Expenditures:										
Public protection.....	1,021,505	1,031,181	1,079,203	1,145,884	1,172,497	1,210,157	1,269,000	1,323,577	1,378,754	1,460,186
Public works, transportation and commerce.....	243,454	226,920	250,879	223,218	232,005	293,999	416,152	332,693	441,868	428,378
Human welfare and neighborhood development.....	918,301	870,091	918,414	945,106	995,192	1,095,419	1,252,588	1,424,425	1,499,216	1,698,081
Community health.....	581,392	595,222	653,263	734,736	761,439	753,832	776,612	712,495	815,762	918,330
Culture and recreation.....	303,134	310,392	311,156	328,794	331,914	352,852	364,909	390,038	424,794	453,554
General administration and finance.....	187,221	191,641	203,157	211,138	233,977	251,370	277,729	303,113	312,441	346,154
General City responsibilities	86,498	85,463	96,150	81,775	86,996	98,658	114,684	121,447	110,920	144,808
Debt service:										
Principal retirement.....	154,051	148,231	167,465	154,542	190,266	200,497	252,456	283,356	381,141	326,416
Interest and fiscal charges.....	89,946	101,716	103,706	108,189	119,142	121,371	119,723	125,091	136,925	168,839
Bond issuance costs.....	2,145	2,161	5,386	2,913	2,185	2,734	7,108	2,695	8,934	876
Capital outlay.....	182,448	214,817	270,094	410,994	449,726	412,740	223,904	297,089	337,741	323,979
Total expenditures.....	<u>3,770,095</u>	<u>3,777,835</u>	<u>4,058,873</u>	<u>4,347,289</u>	<u>4,575,339</u>	<u>4,793,629</u>	<u>5,074,865</u>	<u>5,316,019</u>	<u>5,848,496</u>	<u>6,269,601</u>
Excess of revenues over expenditures.....	<u>20,630</u>	<u>325,536</u>	<u>196,621</u>	<u>145,871</u>	<u>330,934</u>	<u>552,112</u>	<u>715,109</u>	<u>655,601</u>	<u>562,87</u>	

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other financing sources (uses):										
Transfers in.....	302,790	304,682	335,600	447,734	563,283	556,287	580,737	641,123	625,147	853,553
Transfers out.....	(740,349)	(630,625)	(742,719)	(930,793)	(875,296)	(1,061,086)	(1,251,800)	(1,222,163)	(1,398,562)	(1,654,966)
Issuance of bonds and loans:										
Face value of bonds issued.....	393,010	232,965	804,090	557,490	257,175	449,530	595,925	276,570	1,293,595	72,420
Face value of loans issued.....	599	1,813	4,359	5,890	8,735	136,763	-	46,000	-	-
Premium on issuance of bonds.....	16,647	16,799	89,336	64,469	19,773	69,833	32,845	12,432	76,243	-
Payment to refunded bond escrow agent.....	-	(142,458)	(487,390)	-	(49,055)	(359,225)	(131,935)	-	-	-
Proceeds from sale of capital assets.....	-	-	-	-	-	-	-	122,000	-	-
Other financing sources - capital leases.....	<u>20,746</u>	<u>19,769</u>	<u>12,304</u>	<u>13,470</u>	<u>12,869</u>	<u>7,750</u>	<u>5,650</u>	<u>37,736</u>	<u>2,027</u>	<u>-</u>
Total other financing sources (uses).....	<u>(6,557)</u>	<u>(197,055)</u>	<u>15,580</u>	<u>158,260</u>	<u>(62,516)</u>	<u>(200,148)</u>	<u>(168,578)</u>	<u>(86,302)</u>	<u>598,450</u>	<u>(728,993)</u>
Extraordinary gain (loss).....	-	-	197,314	(172,651)	-	-	-	-	-	-
Special item.....	-	-	-	-	-	-	-	-	11,137	-
Net change in fund balances.....	<u>\$ 14,073</u>	<u>\$ 128,481</u>	<u>\$ 409,515</u>	<u>\$ 131,480</u>	<u>\$ 268,418</u>	<u>\$ 351,964</u>	<u>\$ 546,531</u>	<u>\$ 569,299</u>	<u>\$ 1,172,462</u>	<u>\$ 563,342</u>
Debt service as a percentage of noncapital expenditures.....	6.90%	7.07%	7.30%	6.80%	7.61%	7.55%	7.98%	8.46%	9.75%	
Debt service as a percentage of total expenditures.....	6.47%	6.62%	6.68%	6.04%	6.76%	6.71%	7.33%	7.68%	8.86%	7.90%

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			Exemptions ⁽²⁾			Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property	Total	Non-reim- bursable	Reim- bursable	Redevelopment Tax Increments		
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%
2017.....	216,357,277	5,003,459	221,360,736	9,061,126	647,177	17,057,074	194,595,359	1.00%
2018.....	240,129,959	5,033,413	245,163,372	11,372,719	638,914	20,790,719	212,361,020	1.00%
2019.....	268,211,395	5,398,846	273,610,241	15,056,415	627,379	21,989,616	235,936,831	1.00%

Source:

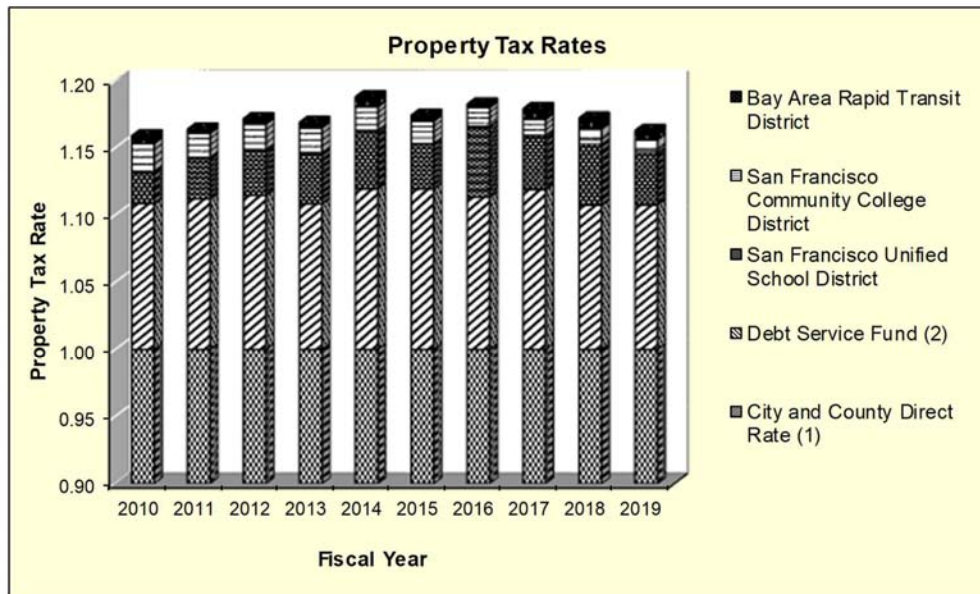
Controller, City and County of San Francisco

Notes:

- (1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or \$1/\$100 of the assessed value, excluding the tax rate for debt service.
- (2) Exemptions are summarized as follows:
- (a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
 - (b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
 - (c) Tax increments were allocations made to the former San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and Redevelopment Agency.
- (3) Based on certified assessed values.
- (4) Based on year end actual assessed values.

CITY AND COUNTY OF SAN FRANCISCO
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 Last Ten Fiscal Years
 (Rate Per \$100 of Assessed Value)

Fiscal Year	City and County Direct Rate ⁽¹⁾	Overlapping Rates				Total
		Debt Service Fund ⁽²⁾	San Francisco Unified School District	San Francisco Community College District	Bay Area Rapid Transit District	
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
2017	1.00000000	0.11894004	0.03982180	0.01245918	0.00800000	1.1792
2018	1.00000000	0.10740904	0.04517555	0.01135485	0.00840000	1.1723
2019	1.00000000	0.10748997	0.03869354	0.00982024	0.00700000	1.1630



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 XIII A of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIII A (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)

Assessee	Type of Business	Fiscal Year 2019			Fiscal Year 2010		
		Taxable Assessed		Percentage of Total Taxable Assessed	Taxable		Percentage of Total Taxable Assessed
		Value ⁽¹⁾	Rank		Assessed Value	Rank	Value ⁽²⁾
Transbay Tower LLC	Office, Commercial	\$ 1,336,595	1	0.51%	\$ -	-	-
Sutter Bay Hospitals	Office, Commercial	1,182,541	2	0.45%	-	-	-
HWA 555 Owners LLC	Office, Commercial	1,018,419	3	0.39%	899,842	1	0.59%
Elm Property Venture LLC	Office, Commercial	984,858	4	0.38%	-	-	-
PPF Paramount Market Plaza Owner LP	Office, Commercial	834,307	5	0.32%	-	-	-
SHR St Francis LLC	Hotel, Commercial	738,069	6	0.28%	368,964	6	0.24%
SFDC 50 FREMONT LLC	Office, Commercial	689,319	7	0.27%	-	-	-
GSW Arena LLC	Entertainment Complex	659,967	8	0.25%	-	-	-
KR Mission Bay LLC	Office, Commercial	558,150	9	0.21%	-	-	-
P55 Hotel Owner LLC	Hotel	533,785	10	0.21%	-	-	-
EOP - One Market LLC	Office, Commercial	-	-	-	451,012	2	0.30%
Mission Street Development LLC	Office, Commercial	-	-	-	444,253	3	0.29%
Four Embarcadero Center Venture	Office, Commercial	-	-	-	373,417	4	0.25%
Post-Montgomery Associates	Office, Commercial	-	-	-	363,063	5	0.24%
One Embarcadero Center Venture	Office, Commercial	-	-	-	328,539	7	0.22%
Broadway Partners	Office, Commercial	-	-	-	312,120	8	0.21%
Three Embarcadero Center Venture	Office, Commercial	-	-	-	308,931	9	0.20%
Embarcadero Center Associates	Office, Commercial	-	-	-	307,683	10	0.20%
Total		<u>\$ 8,536,010</u>		<u>3.27%</u>	<u>\$ 4,157,824</u>		<u>2.74%</u>

Source:

Assessor, City and County of San Francisco

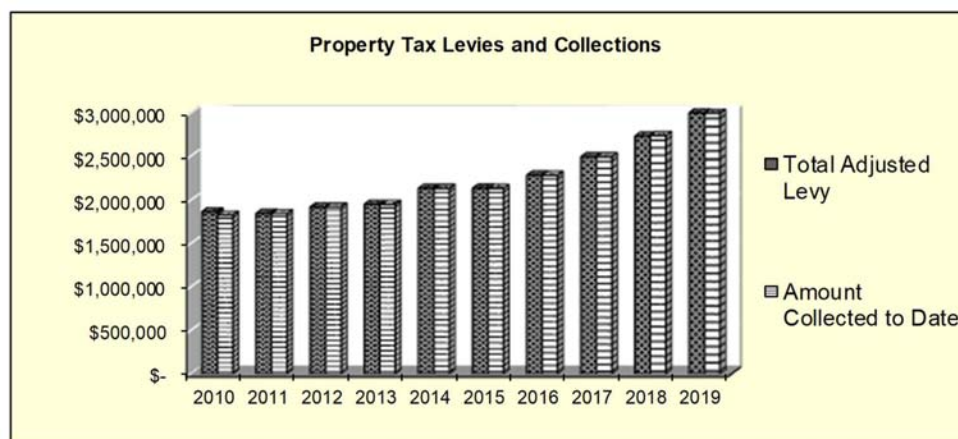
Notes:

(1) Data for fiscal year 2018-2019 updated as of August 1, 2018.

(2) Assessed values for fiscal years 2018-2019 and 2009-2010 are from the tax rolls of calendar years 2018 and 2009, respectively.

CITY AND COUNTY OF SAN FRANCISCO
PROPERTY TAX LEVIES AND COLLECTIONS ^{(1) (2)}
 Last Ten Fiscal Years
 (In Thousands)

Fiscal Year	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years ⁽³⁾	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
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
2017	2,492,789	2,471,486	99.15	21,966	2,493,452	100.03
2018	2,732,615	2,709,048	99.14	29,002	2,738,050	100.20
2019	2,999,794	2,977,664	99.26	17,194	2,994,858	99.84



Source: Controller, City and County of San Francisco

Notes:

- (1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District, the former San Francisco Redevelopment Agency, and the Successor Agency to the San Francisco Redevelopment Agency.
- (2) Does not include SB-813 supplemental property taxes.
- (3) Collections in subsequent years reflect redemption roll collections in the fiscal year.

CITY AND COUNTY OF SAN FRANCISCO

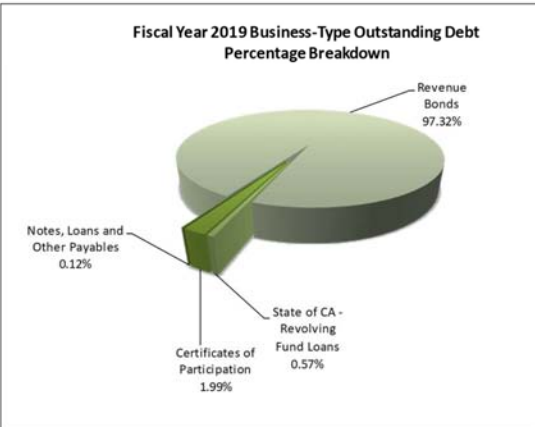
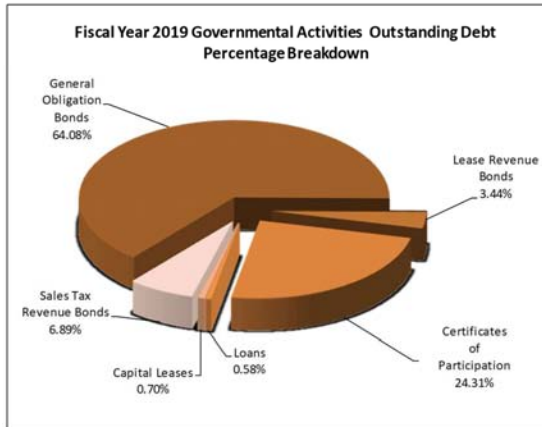
RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(In Thousands, except per capita amount)

Governmental Activities								
Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	Loans	Capital Leases	Settlement Obligation	Sales Tax Revenue Bonds	Subtotal
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
2017	2,281,894	182,783	582,759	162,876	32,586	-	-	3,242,898
2018	2,693,252	171,667	987,014	47,462	30,654	-	268,917	4,198,966
2019	2,488,987	133,592	944,447	22,365	27,102	-	267,701	3,884,194

Business-Type Activities									
Fiscal Year	Revenue Bonds	State of CA - Revolving Fund Loans	Certificates of Participation	Notes, Loans and Other Payables	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income (1) (2)	Per Capita (1) (3)
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	10,040,660	-	355,113	7,840	1,174	10,404,787	13,389,420	14.95	15,533
2016	10,078,794	-	343,270	8,180	266	10,430,510	13,622,257	14.17	15,549
2017	11,185,043	-	330,924	9,241	-	11,525,208	14,768,106	13.93	16,798
2018	13,194,466	22,607	318,019	14,196	-	13,549,288	17,748,254	15.78	20,093
2019	14,935,423	88,032	304,547	18,763	-	15,346,765	19,230,959	16.55	21,670



Notes:

(1) See Demographic and Economic Statistics, for personal income and population data.

(2) 2017 and 2018 were updated from last year's CAFR with newly available data.

(3) 2017 and 2018 were updated from last year's CAFR with newly available data.

CITY AND COUNTY OF SAN FRANCISCO
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years
 (In Thousands, except per capita amount)

Fiscal Year	General Obligation Bonds ⁽¹⁾	Less: Amounts Restricted for Debt Service	Total	Per Capita ^{(2) (3)}	Percentage of Taxable Assessed Value ⁽⁴⁾
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	2,327	1.10%
2016	2,227,515	86,754	2,140,761	2,444	1.10%
2017	2,281,894	111,892	2,170,002	2,468	1.02%
2018	2,693,252	127,766	2,565,486	2,904	1.10%
2019	2,488,987	104,149	2,384,838	2,687	0.92%

Notes:

- (1) Details regarding the City's outstanding debt can be found in the notes to the financial statements. In compliance with GASB Statement No. 65, the amount for general obligation bonds was restricted to exclude bond refunding gains or losses.
- (2) Population data can be found in Demographic and Economic Statistics.
- (3) Fiscal years 2017 and 2018 are updated from last year's CAFR with newly available data.
- (4) Taxable property data can be found in Assessed Value of Taxable Property.

CITY AND COUNTY OF SAN FRANCISCO

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt limit	\$ 4,853,760	\$ 4,785,098	\$ 4,962,746	\$ 5,030,049	\$ 5,279,242
Total net debt applicable to limit ⁽¹⁾	1,442,448	1,411,769	1,617,397	2,052,155	2,105,885
Legal debt margin	<u>\$ 3,411,312</u>	<u>\$ 3,373,329</u>	<u>\$ 3,345,349</u>	<u>\$ 2,977,894</u>	<u>\$ 3,173,357</u>
Total net debt applicable to the limit as a percentage of debt limit	29.72%	29.50%	32.59%	40.80%	39.89%

	Fiscal Year				
	2015	2016	2017	2018	2019
Debt limit	\$ 5,482,482	\$ 5,829,141	\$ 6,368,988	\$ 7,013,720	\$ 7,756,615
Total net debt applicable to limit ⁽¹⁾	2,096,765	2,227,514	2,281,894	2,693,252	2,488,987
Legal debt margin	<u>\$ 3,385,717</u>	<u>\$ 3,601,627</u>	<u>\$ 4,087,094</u>	<u>\$ 4,320,468</u>	<u>\$ 5,267,628</u>
Total net debt applicable to the limit as a percentage of debt limit	38.24%	38.21%	35.83%	38.40%	32.09%

Legal Debt Margin Calculation for Fiscal Year 2019

Total assessed value	\$ 273,610,241
Less: non-reimbursable exemptions ⁽²⁾	15,056,415
Assessed value ⁽²⁾	<u>\$ 258,553,826</u>
Debt limit (three percent of valuation subject to taxation) ⁽³⁾	\$ 7,756,615
Debt applicable to limit - general obligation bonds	2,488,987
Legal debt margin	<u>\$ 5,267,628</u>

Notes:

Per outstanding general obligation bonds adjusted with bond premium and discount.

Source: Assessor, City and County of San Francisco

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, 2019

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			\$ 2,488,987
Lease Revenue Bonds.....	\$ 133,592	100.00%	133,592
Sales Tax Revenue Bonds.....	267,701	100.00%	267,701
Certificates of Participation.....	944,447	100.00%	944,447
Loans.....	22,365	100.00%	22,365
Lease Purchase Financing	27,102	100.00%	27,102
Total Direct Debt			<u>3,884,194</u>
Overlapping Debt			
General Obligation Bonds			
San Francisco Unified School District.....	968,078	100.00%	968,078
San Francisco Community College District.....	247,175	100.00%	247,175
Bay Area Rapid Transit District.....	809,660	34.00%	275,284
Total Overlapping Debt.....			<u>1,490,537</u>
Total Direct and Overlapping Debt.....			<u>\$ 5,374,731</u>
Assessed valuation (net of non- reimbursable exemption).....			\$ 258,553,826
Population - 2019 ⁽²⁾			887,463
Percentage of direct and overlapping general obligation debt per assessed valuation.....			1.54%
Percentage of total direct and overlapping debt per assessed valuation.....			2.08%
Estimated total direct and overlapping total debt per capita			\$6.056

Note: Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

⁽¹⁾ The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the districts boundaries and dividing it by the City's total taxable assessed value.

⁽²⁾ Sources: US Census Bureau

CITY AND COUNTY OF SAN FRANCISCO

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

(In Thousands)

San Francisco International Airport ⁽¹⁾							
Fiscal Year	Operating Revenues ⁽²⁾	Less: Operating Expenses ⁽³⁾	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2010	\$ 597,429	\$ 305,995	\$ 291,434	\$ 97,715	\$ 190,490	\$ 288,205	1.01
2011	622,709	331,399	291,310	134,800	177,581	312,381	0.93
2012	701,025	369,376	331,649	135,760	189,696	325,456	1.02
2013	728,044	380,543	347,501	152,355	185,000	337,355	1.03
2014	776,116	402,176	373,940	163,095	202,219	365,314	1.02
2015	824,482	392,361	432,121	181,645	211,804	393,449	1.10
2016	880,948	412,114	468,834	208,860	185,297	394,157	1.19
2017	934,692	543,019	391,673	194,225	210,330	404,555	0.97
2018	1,075,118	505,017	570,101	159,590	245,751	405,341	1.41
2019	1,072,368	495,222	577,146	191,240	245,219	436,459	1.32

- (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			Coverage
					Principal	Interest	Total	
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
2017	464,662	421,827	351,605	394,440	41,310	166,502 ⁽⁷⁾	207,812	1.90
2018	532,087	370,147	337,643	499,583	48,875	185,084 ⁽⁷⁾	233,959	2.14
2019	558,041	365,110	339,132	532,063	76,665	184,973 ⁽⁷⁾	261,638	2.03

- (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. FY2018 was updated with new available data.
- (7) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2018 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. FY2018 was updated with new available data.

Municipal Transportation Agency							
Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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	132,852	5,895	3,686	9,581	13.87
2015	626,312	527,125	99,187	7,695	6,945	14,640	6.78
2016	619,650	563,750	55,900	7,340	9,155	16,495	3.39
2017	614,619	572,162	42,457	7,640	8,865	16,505	2.57
2018	652,919	587,355	65,564	12,350	15,602	27,952	2.35
2019	686,346	576,970	109,376	10,055	14,636	24,691	4.43

- (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 SFTMA issued its first revenue bonds, Series 2012A and B. Series 2012A refunded the bonds described above plus bonds issued by the City's nonprofit garage corporations. The gross pledged revenues consist of transit fares, parking fines and fees, rental income, investment income plus operating grants from Transportation Development Act (codified as Sections 99200 et seq. of the California Public Utilities Code) (the "TDA"), AB 1107 (codified at Section 29140 et seq. of the Public Utilities Code) (the "AB 1107"), and State Transit Assistance.
- (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, the operating expense excludes expenses funded by the City's

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:	Adjustments ⁽¹⁶⁾	Net	Debt Service			Coverage
		Operating Expenses ⁽¹⁵⁾		Available Revenue ⁽¹⁷⁾	Principal	Interest ⁽¹⁷⁾	Total	
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	44,883	2.41
2012	247,936	195,857	107,125	159,204	22,010	20,180	42,190	3.77
2013	253,078	208,260	109,323	154,141	23,095	15,655	38,750	3.98
2014	262,497	216,340	172,831	218,988	32,805	32,047	64,852	3.38
2015	257,209	216,485	190,236	230,960	30,895	30,006	60,901	3.79
2016	262,960	221,553	198,524	239,931	31,115	28,907	60,022	4.00
2017	279,668	244,220	216,095	251,543	20,870	39,537	60,407	4.16
2018	317,413	238,906	231,515	310,022	20,015	26,988	47,003	6.60
2019	351,782	259,813	161,677	253,646	22,435	37,912	60,347	4.20

- (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. FY2018 was updated with new available data.
- (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. FY2018 was updated with new available data.
- (17) Restated to match the published Annual Disclosure Reports for FY2009.
- (18) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2019 also includes a "springing" amendment. Capitalized interest was excluded in FY2018 and FY2019.

Port of San Francisco ⁽¹⁹⁾							
Fiscal Year	Total Operating Revenues ⁽²⁰⁾	Less:	Available Revenue	Debt Service			Coverage
		Operating Expenses ⁽²¹⁾		Principal	Interest	Total	
2010	\$ 69,741	\$ 58,756	\$ 10,985	\$ 4,320	\$ 75	\$ 4,395	2.50
2011	73,675	51,871	21,804	485	2,358	2,843	7.67
2012	79,273	55,471	23,802	670	2,175	2,845	8.37
2013	81,536	63,615	17,921	695	2,151	2,846	6.30
2014	87,213	63,410	23,803	725	2,122	2,847	8.36
2015	96,265	60,896	35,369	1,400	2,771	4,171	8.48
2016	100,699	64,896	35,803	1,225	2,951	4,176	8.57
2017	114,854	89,882	24,972	1,265	2,904	4,169	5.99
2018	112,000	79,027	32,973	1,325	2,849	4,174	7.90
2019	128,571	88,829	39,742	1,390	2,787	4,177	9.51

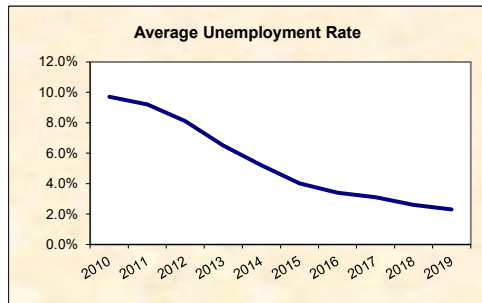
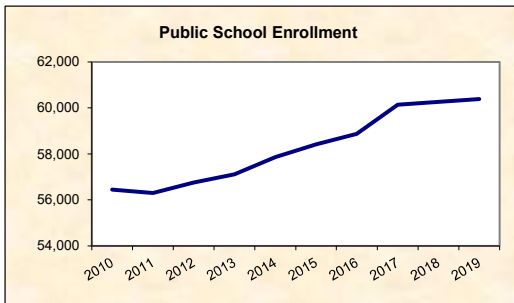
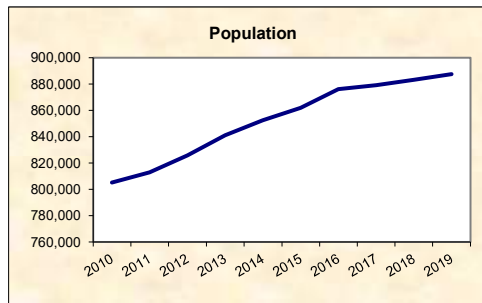
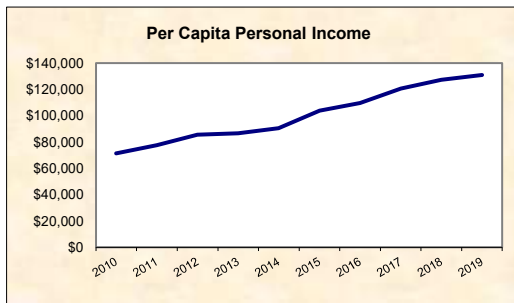
- (19) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
- (20) Total revenues consist of operating revenues and interest and investment 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⁾								
Fiscal Year ⁽²⁶⁾	Gross Revenues	Less:	Adjustments	Net	Debt Service ⁽²⁶⁾			Coverage
		Operating Expenses		Available Revenue	Principal	Interest	Total	
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	-	-	-	-
2017	122,187	116,935	58,176	63,428	-	-	-	-
2018	122,251	119,395	64,356	67,212	710	1,860	2,570	26.15
2019	152,873	122,687	40,827	71,013	730	1,839	2,569	27.64

- (22) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
- (23) Gross revenues consists of charges for power services, rental income and other income.
- (24) Operating expenses only include power operating expense.
- (25) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.
- (26) For FY2016 and FY2017 Revenue Bond Debt Service excludes state revolving fund loans, commercial paper and certificates of participation.

CITY AND COUNTY OF SAN FRANCISCO
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (In Thousands) (2)	Per Capita Personal Income (3)	Median Age (4)	Public School Enrollment (5)	Average Unemployment Rate (6)
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	862,004	89,533,450	103,867	37.8	58,414	4.0%
2016	876,103	96,161,308	109,760	37.9	58,865	3.4%
2017	879,166 ⁽⁷⁾	106,006,635 ⁽⁸⁾	120,576 ⁽⁹⁾	38.1	60,133	3.1%
2018	883,305 ⁽⁷⁾	112,447,995 ⁽⁸⁾	127,304 ⁽⁹⁾	38.0 ⁽¹⁰⁾	60,263	2.6%
2019	887,463 ⁽⁷⁾	116,222,759 ⁽⁸⁾	130,961 ⁽⁹⁾	38.0 ⁽¹⁰⁾	60,390	2.3%



Sources:

- (1) US Census Bureau. Fiscal years 2017 and 2018 were updated from last year's CAFR with newly available data.
- (2) US Bureau of Economic Analysis. Fiscal years 2017 and 2018 were updated from last year's CAFR with newly available data
- (3) US Bureau of Economic Analysis. Fiscal years 2017 and 2018 were updated from last year's CAFR with newly available data
- (4) US Census Bureau, American Community Survey
- (5) California Department of Education
- (6) California Employment Development Department

Note:

- (7) 2017 and 2018 were updated from last year's CAFR with newly available data. 2019 population was estimated by multiplying the estimated 2018 population by the 2018 - 2019 population growth rate.
- (8) Personal income was estimated by assuming that its percentage of state personal income in 2018 and 2019 remained at the 2018 level of 4.47 percent. Fiscal years 2017 and 2018 were updated from last year's CAFR with newly available data.
- (9) Per capita personal income for 2018 and 2019 was estimated by dividing the estimated personal income for 2018 and 2019 by the reported and estimated population in 2018 and 2019, respectively. Fiscal years 2017 and 2018 are updated from last year's CAFR with newly available data. 2019 was estimated by multiplying the latest quarterly State income by 1000 and dividing by the estimated 2019 population.
- (10) Median age for 2018 and 2019 was estimated by averaging the median age in 2016 and 2017.

CITY AND COUNTY OF SAN FRANCISCO

Principal Employers Current Year and Nine Years Ago

Employer	Year 2018 ⁽¹⁾			Year 2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of California, San Francisco.....	34,690	1	6.09%	24,759	2	5.79%
City and County of San Francisco.....	32,749	2	5.75%	26,554	1	6.20%
San Francisco Unified School District.....	10,506	3	1.84%	5,313	7	1.24%
Salesforce.....	8,000	4	1.40%	-	-	-
Wells Fargo & Co.....	7,747	5	1.36%	9,214	3	2.15%
Kaiser Permanente.....	6,659	6	1.17%	5,629	5	1.32%
Sutter Health.....	5,359	7	0.94%	-	-	-
Uber Technologies Inc.....	5,000	8	0.88%	-	-	-
Gap Inc.....	4,000	9	0.70%	3,804	10	0.89%
PG&E Corporation.....	3,800	10	0.67%	4,394	9	1.03%
California Pacific Medical Center.....	-	-	-	6,800	4	1.59%
State of California.....	-	-	-	5,555	6	1.30%
United States Postal Service.....	-	-	-	4,697	8	1.10%
Total.....	118,510		20.80%	96,719		22.61%

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 2018 is presented.

CITY AND COUNTY OF SAN FRANCISCO
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION ⁽¹⁾
Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Protection										
Fire Department.....	1,532	1,512	1,474	1,463	1,464	1,494	1,575	1,620	1,646	1,667
Police.....	2,757	2,681	2,665	2,655	2,727	2,784	2,871	3,013	2,971	3,053
Sheriff.....	1,048	953	1,010	1,013	984	1,015	1,006	1,056	1,001	1,020
Other.....	981	969	956	1,021	1,032	1,049	1,077	1,081	1,138	1,146
Total Public Protection.....	6,318	6,115	6,105	6,152	6,207	6,342	6,529	6,770	6,756	6,886
Public Works, Transportation and Commerce										
Municipal Transportation Agency.....	4,358	4,160	4,141	4,388	4,484	4,685	4,931	5,160	5,178	5,338
Airport Commission.....	1,233	1,294	1,377	1,443	1,460	1,473	1,493	1,541	1,586	1,587
Department of Public Works.....	822	791	783	808	825	852	925	981	1,027	1,057
Public Utilities Commission.....	1,549	1,584	1,616	1,620	1,621	1,618	1,634	1,637	1,648	1,676
Other.....	490	508	536	583	612	626	627	637	631	621
Total Public Works, Transportation and Commerce.....	8,452	8,337	8,453	8,842	9,002	9,254	9,610	9,956	10,070	10,279
Community Health										
Public Health.....	5,838	5,696	5,671	5,800	6,126	6,284	6,602	6,806	6,857	6,866
Total Community Health.....	5,838	5,696	5,671	5,800	6,126	6,284	6,602	6,806	6,857	6,866
Human Welfare and Neighborhood Development										
Human Services.....	1,662	1,685	1,691	1,750	1,855	1,964	2,046	2,068	2,099	2,094
Other.....	296	284	269	244	244	246	242	375	386	394
Total Human Welfare and Neighborhood Development.....	1,958	1,969	1,960	1,994	2,099	2,210	2,288	2,443	2,485	2,488
Culture and Recreation										
Recreation and Park Commission.....	898	851	834	841	870	893	916	935	934	927
Public Library.....	649	645	628	640	652	661	662	683	698	696
War Memorial.....	63	63	63	63	57	58	65	68	69	71
Other.....	199	201	199	210	213	214	215	211	214	213
Total Culture and Recreation.....	1,809	1,760	1,724	1,754	1,792	1,826	1,858	1,897	1,915	1,907
General Administration and Finance										
Administrative Services.....	647	616	637	723	716	750	803	830	845	871
City Attorney.....	306	300	299	303	308	308	306	307	307	309
Telecommunications and Information Services.....	252	210	196	199	216	209	221	228	232	225
Controller.....	180	194	201	198	204	219	253	263	257	251
Human Resources.....	138	119	123	124	135	143	152	155	148	166
Treasurer/Tax Collector.....	220	211	208	202	211	226	219	219	207	207
Mayor.....	49	42	37	49	49	50	55	56	58	63
Other.....	554	540	567	561	602	615	658	695	697	699
Total General Administration and Finance.....	2,346	2,232	2,268	2,359	2,441	2,520	2,667	2,753	2,751	2,791
Subtotal annually funded positions.....	26,721	26,109	26,181	26,901	27,667	28,436	29,554	30,625	30,834	31,217
Capital project funded positions.....	1,928	1,885	1,892	1,486	1,569	1,721	1,789	2,124	2,211	2,300
Total annually funded positions.....	28,649	27,994	28,073	28,387	29,236	30,157	31,343	32,749	33,045	33,517

Source: Controller, City and County of San Francisco

Note:

- (1) Data represent budgeted and funded full-time equivalent positions.
(2) 2015 and 2016 has been updated with newly available data

CITY AND COUNTY OF SAN FRANCISCO

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Protection										
Fire and Emergency Communications										
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile	7:13	7:19	7:18	7:36	8:30	8:12	7:41			
Police										
Average time from dispatch to arrival on scene for highest priority calls ⁽¹⁾	3:33	4:07	4:15	4:35	4:20	4:55	4:57	6.9	7.2	7.3
Number of homicides per 100,000 population	5.3	6.3	7.4	6.2	4.7	6.6	6.2	7.9	4.9	5.1
Public Works, Transportation, and Commerce										
General Services Agency - Public Works										
Percentage of San Franciscans who rate cleanliness of neighborhood streets as good or very good	N/A	52%	N/A	N/A	N/A	54%	N/A			
Number of blocks of City streets repaved	312	427	346	521	323	474	721	704	608	664
Municipal Transportation Agency										
Average rating of Mun's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good)	N/A	3.55	3.02	3.38	N/A	N/A	N/A	N/A	N/A	N/A
Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points	73.5%	72.9%	61.9%	59.3%	58.8%	56.1%	59.9%			
Percentage of scheduled service hours delivered	96.6%	96.2%	97.5%	97.6%	90.7%	97.0%	99.0%			
Airport										
Percent change in air passenger volume	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	77%	78%	80%	N/A	N/A	N/A	N/A			
Culture and Recreation										
Recreation and Park										
Citywide percentage of park maintenance standards met for all parks inspected	91%	90%	91%	91%	91%	85%	87%			
Public Library										
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good ⁽²⁾	N/A	79%	N/A	85%	N/A	92%	8.30	7.30	8.30	8.70
Circulation of materials at San Francisco libraries	10,849,582	10,679,061	10,971,974	10,587,213	10,844,953	10,684,760	10,778,428	10,814,015	11,092,406	11,730,624
Asian and Fine Arts Museums										
Number of visitors to City-owned art museums	2,599,322	2,426,861	1,779,573	1,865,259	2,042,135	1,712,076	1,830,284	1,730,378	1,678,682	1,601,223

Source: Controller, City and County of San Francisco

Notes:

- (1) FY 2010 through FY 2016 reflects average time. FY2017 through FY2019 reflects , in a decimal format, the time from the receipt of a 911 call to the officer's arrival time.
 (2) FY 2010 through FY 2015 is based on percentage of San Franciscans. FY2016 through FY2019 is based on a scale of 1 to 10.

N/A = Information is not available. Note that in most cases this is due to the fact that the City Survey, which was administered annually until 2005, then biennially afterwards, is the data source.

CITY AND COUNTY OF SAN FRANCISCO
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Police protection ⁽¹⁾										
Number of stations.....	10	10	10	10	10	10	10	10	10	10
Number of police officers.....	2,261	2,288	2,243	2,164	2,130	2,203	2,332	2,315	2,292	2,291
Fire protection ⁽²⁾										
Number of stations.....	42	46	46	46	46	47	47	47	47	47
Number of firefighters.....	768	778	718	817	896	907	995	1,029	1,044	1,040
Public works										
Miles of street ⁽³⁾	1,317	1,317	1,315	1,315	1,299	1,287	1,287	1,287	1,287	1,304
Number of streetlights ⁽⁴⁾	43,973	44,530	44,594	44,655	44,656	44,907	44,498	44,686	44,891	44,832
Water ⁽⁴⁾										
Number of services.....	172,680	173,033	173,454	173,744	173,970	174,111	174,083	174,394	175,054	175,805
Average daily consumption (million gallons).....	219.9	213.6	212.0	215.1	217	190	171	175	190.4	184.5
Miles of water mains.....	1,465	1,473	1,488	1,488	1,488	1,499	1,489	1,488	1,489	1,719
Sewers ⁽⁴⁾										
Miles of collecting sewers.....	993	993	959	986	993	993	993	993	993	993
Miles of transport/storage sewers.....	17	17	17	24	17	17	17	17	17	17
Recreation and cultures										
Number of parks ⁽⁵⁾	220	220	220	221	221	220	220	220	220	220
Number of libraries ⁽⁶⁾	28	28	28	28	28	28	28	28	28	28
Number of library volumes (million) ⁽⁶⁾	3.3	3.5	3.6	3.5	3.6	3.6	3.8	3.9	3.7	3.5
Public school education ⁽⁷⁾										
Attendance centers.....	115	115	115	115	116	116	117	117	117	117
Number of classrooms.....	2,779	2,797	2,797	2,877	3,135	3,160	3,219	3,219	3,219	3,216
Number of teachers, full-time equivalent.....	3,312	3,132	3,245	3,129	3,129	3,281	3,339	3,272	3,196	3,886
Number of students.....	55,779	55,571	56,310	56,970	57,620	58,414	58,865	60,133	60,263	60,390

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

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following are summaries of certain provisions of the Indenture, the Loan Agreement, the Regulatory Agreement, the form of Lease Agreement and the form of Sublease Agreement. These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of such documents. All capitalized terms used in this APPENDIX D and not defined herein have the same meanings as in the Master Indenture and the Indenture.

DEFINITIONS OF CERTAIN TERMS

Certain capitalized terms used in this Official Statement are defined below. The following is subject to all the terms and provisions of the Indenture, to which reference is thereby made and copies of which are available from the Issuer or the Trustee.

“*Act*” means Zenovich-Moscone-Chacon Housing and Home Finance Act, consisting of Parts 1 through 4 of Division 31 of the California Health and Safety Code, as amended.

“*Affiliate*” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control” when used with respect to any specified Person means the power to direct the policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the ownership of voting securities, by contract, or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*Agreement*” or the “*Agreement*” means the Loan Agreement, dated as of July 1, 2020, by and between Issuer and the Borrower, including all amendments thereof or supplements thereto.

“*Applicable Premium*” means, with respect to any Bond, the amount set forth in an exhibit to the Indenture.

“*Area*” means the Metropolitan Statistical Area or County, as applicable, in which the Project is located, as defined by the United States Department of Housing and Urban Development.

“*Authorized Denomination*” means, with respect to the Bonds, denominations of \$5,000 and any integral multiple thereof.

“*Authorized Signatory*” means the Executive Director, the Chief Deputy Director, the Director of Financing and such additional persons, if any, duly designated in writing for the purpose in issue by the Executive Director of the Issuer.

“*Available Units*” means residential units in the Project that are actually occupied and residential units in the Project that are vacant and have been occupied at least once after becoming available for occupancy, provided that (a) a residential unit that is vacant on the later of (i) the date the Project is acquired or (ii) the Closing Date is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after the renovations are completed.

“*Beneficial Owner*” means the person or entity in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository or a Participant or an Indirect Participant on the records of such Securities Depository, Participant or Indirect Participant, as the case may be, or such person’s or entity’s subrogee.

“*Bond Counsel*” means an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, appointed by the Issuer.

“*Bond Fund*” means the fund by that name established pursuant to the Indenture.

“*Bond Payment Date*” means each April 1 and October 1, commencing October 1, 2020, and the maturity date of the Bonds.

“*Bond Year*” means each annual period of twelve months the first of which commences on the date of the original issuance and delivery of the Bonds and ends on the date one year from the Closing Date of the Bonds, and the last of which ends on the maturity of the Bonds, except that the first and last Bond Year may be less than twelve months.

“*Bondholder*” or “*Bondowner*” or “*Holder*” or “*holder*” or “*owner of the Bonds*” means the Registered Owner of a Bond.

“*Bonds*” means the California Housing Finance Agency Revenue Bonds (San Francisco Supportive Housing – 833 Bryant Apartments) 2020 Issue N – Social Bonds, issued by the Issuer pursuant to the Indenture.

“*Book Entry System*” means a book-entry system established and operated for the recordation of Beneficial Owners of the Bonds pursuant to the terms and provisions of the Indenture.

“*Borrower*” or “*Partnership*” means (i) 833 Bryant, L.P., a California limited partnership, and its successors and assigns, and (ii) any surviving, resulting or transferee entity as provided in the Agreement.

“*Borrower Representative*” means any person designated from time to time by the Borrower in writing delivered to the Trustee.

“*Business Day*” means any day other than a Saturday, Sunday or a day on which the Federal Reserve, or commercial banks in New York, New York or Los Angeles, California, are required or authorized to be closed.

“*Capitalized Interest Account*” means the account by that name within the Project Fund, established pursuant to the Indenture.

“*Capitalized Interest Bond Subaccount*” means the subaccount by that name within the Capitalized Interest Account, established pursuant to the Indenture.

“*Capitalized Interest Equity Subaccount*” means the means the subaccount by that name within the Capitalized Interest Account, established pursuant to the Indenture.

“*Casualty Proceeds*” means the proceeds received from insurance or condemnation as a result of fire or other casualty or as a result of the exercise of eminent domain powers, with respect to which that term is used as remains after payment of all expenses, costs and taxes, including reasonable attorney’s fees and extraordinary expenses, incurred in obtaining such insurance or condemnation proceeds.

“*CDLAC*” means the California Debt Limit Allocation Committee or its successors.

“*CDLAC Conditions*” means the CDLAC Resolution and the CDLAC Conditions set forth in Exhibit A thereto.

“*CDLAC Resolution*” means CDLAC Resolution No. 20-091, adopted on April 27, 2020 and relating to the Project, as amended, and as such resolution may be modified or amended from time to time

“*Certificate of Continuing Program Compliance*” means the Certificate to be filed by the Owner with the Program Monitor, on behalf of the Agency, which will be substantially in the form attached as exhibit to the Regulatory Agreement or in such other comparable form as may be provided by the Agency to the Owner, or as otherwise approved by the Agency.

“*City*” means the City and County of San Francisco, California.

“*Closing Date*” means the date of delivery of the Bonds to the Underwriter, which date will be the Dated Date set out in the Bond certificates.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Costs of Issuance*” means all items of expense directly or indirectly payable by or reimbursable to the Issuer or the Borrower and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, application, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, including the fees and charges of the Issuer, counsel, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

“*Costs of Issuance Fund*” means the fund by that name established pursuant to the Indenture.

“*County*” means the City and County of San Francisco, California.

“*Default*” or “*Event of Default*” means such events specified in the Indenture or the Agreement, as the context will require.

“*Dissemination Agent*” means Goodwin Consulting Group, Inc., or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Dissemination Agent Fee*” means the fee paid to the Dissemination Agent during the term of the Indenture.

“*Environmental Regulations*” means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances, chemical waste, materials or substances.

“*Extraordinary Event Proceeds Fund*” means the fund by that name established pursuant to the Indenture.

“*Facility*” or “*Facilities*” means the Project and related equipment acquired, constructed and improved with proceeds of the Bonds.

“*Fees Fund*” means the fund by that name established pursuant to the Indenture.

“*Fiscal Year*” means each twelve-month period beginning as of January 1 and ending on December 31 of each year, except that the first Fiscal Year will begin on the Closing Date and end on December 31, 2020.

“*General Partner*” means 833 Bryant LLC, a California limited liability company, its successors and assigns.

“*Governmental Obligations*” means (i) noncallable direct obligations of the United States of America for which its full faith and credit are pledged the timely payment of principal and interest on which is fully and unconditionally guaranteed, (ii) noncallable obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America, or (iii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clause (i) or (ii).

“*Gross Income*” means the gross income of a person (together with the gross income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed under HUD Section 8.

“*Ground Lease*” means the Ground Lease Agreement by and between San Francisco Homes for the Homeless No. 1 LLC and the Borrower, including all amendments thereof or supplements thereto.

“Hazardous Substances” means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls (“PCBs”) and compounds containing them; lead and lead-based paint; asbestos or asbestos-containing materials in any form that is or could become friable; underground or above-ground storage tanks, whether empty or containing any substance; radon; Mold; toxic or mycotoxin spores; any substance the presence of which on the Mortgaged Property is prohibited by any federal, state or local authority; any substance that requires special handling; and any other material or substance (whether or not naturally occurring) now or in the future that (i) is defined as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “toxic pollutant,” “solid waste”, “pesticide”, “contaminant,” or “pollutant”, or otherwise classified as hazardous or toxic by or within the meaning of any Hazardous Substances Law, or (ii) is regulated in any way by or within the meaning of any Hazardous Substances Law.

“Hazardous Substances Laws” means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other governmental requirements, rule of common law (including, without limitation, nuisance and trespass), consent order, administrative rulings and court judgments and decrees or other government directive in effect now or in the future and including all amendments, that relate to Hazardous Substances or to the protection or conservation of the environment or human health and apply to Borrower or to the Mortgaged Property, including, without limitation, those relating to industrial hygiene, or the use, analysis, generation, manufacture, storage, discharge, release, disposal, transportation, treatment, investigation, or remediation of Hazardous Substances. Hazardous Substances Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq., the Clean Water Act, 33 U.S.C. Section 1251, et seq., the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101, et seq., the Superfund Amendments and Reauthorization Act, the Solid Waste Disposal Act, the Clean Air Act, the Occupational Safety and Health Act, and their state analogs.

“Housing Act” means the United States Housing Act of 1937 (42 U.S.C. Section 1437(f)), as amended, or its successor.

“HUD Section 8” unless otherwise indicated, means project based rent subsidy assistance provided by the U.S. Department of Housing and Urban Development pursuant to Section 8 of the Housing Act.

“Income Certification” means a Tenant Income Certification and a Tenant Income Certification Questionnaire in the form attached as exhibit to the Regulatory Agreement, or in such other comparable form as may be provided by the Agency to the Owner, or as otherwise approved by the Agency.

“Indenture” means the Indenture of Trust and any amendments and supplements thereto.

“Indirect Participant” means a broker-dealer, bank or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Participant.

“Intercreditor Agreement” means that Intercreditor Agreement dated as of July 1, 2020, to be made by the Borrower, the Trustee and the Letter of Credit Provider with respect to the Security Instrument and the Project.

“Investor” means Citibank, N.A., and LP Purchaser LLC, and their successors and/or assigns.

“Issuer” or *“Agency”* means California Housing Finance Agency, its successors and assigns.

“Issuer Fee” means Issuer’s Issuance Fee, the Issuer’s Ongoing Fee, and such other ongoing fees and/or expenses of the Issuer as more particularly described within the Payment Fund pursuant to the Regulatory Agreement.

“Issuer’s Issuance Fee” will have the meaning summarized in the “Payment of Fees” provisions of the Regulatory Agreement.

“Issuer’s Ongoing Fee” will mean the annual fee of the Issuer with respect to the Bonds in the amount as set forth in and in accordance with and pursuant to the provisions relating to the *“Payment of Fees”* of the Regulatory Agreement.

“Law” means Chapter 6.7 of the Act, as amended.

“Lease” means the Lease Agreement to be entered into, by and between the Borrower and the City, including all amendments thereof or supplements thereto.

“Lease Delivery Deadline” means September 1, 2022, or such later date as may be established pursuant to the Indenture.

“Lease Delivery Notice” means a written notice from the Borrower and the City to the Trustee, substantially in the form attached as an exhibit to the Indenture.

“Letter of Credit” will mean the Irrevocable Standby Letter of Credit in the original stated amount of \$31,991,028.45 provided by the Letter of Credit Provider, as the same may be modified, amended, extended or replaced from time to time.

“Letter of Credit Provider” will mean Citibank, N.A., in its capacity as the provider of the Letter of Credit, and any subsequent issuer of the Letter of Credit, and their respective successors and assigns.

“Loan” means the loan of the proceeds of the Bonds by the Issuer to the Borrower pursuant to the Agreement.

“Loan Payments” means the amounts required to be paid by the Borrower, in repayment of the loan pursuant to the provisions relating to *“Loan Proceeds to Borrower; Loan Provisions; Provisions Relating to the Project”* of the Agreement.

“Low Income Tenant” means a tenant occupying a Low Income Unit.

“Low Income Unit” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of *“low-income families”* under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as low income under the Regulatory Agreement will be sixty percent (60%) of median gross income for the Area, with adjustments for family size. A unit occupied by one or more students will only constitute a Low Income Unit if such students meet the requirements of Section 142(d)(2)(C) of the Code. The determination of an Available Unit’s status as a Low Income Unit will be made by the Owner upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant.

“Monthly Payment Date” means the 25th day of each calendar month and the maturity date of the Bonds.

“Moody’s” means Moody’s Investors Service, Inc., or its successor.

“Outstanding” or *“Bonds Outstanding”* means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

- (a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;
- (b) Bonds paid or deemed to be paid pursuant to the provisions of the Indenture relating to *“Default Provisions and Remedies of Trustee and Bondholders;”* and
- (c) Bonds in lieu of which others have been authenticated pursuant to the Indenture.

“*Owner*” means the Borrower, together with any successor to its rights, duties and obligations under the Regulatory Agreement and as owner of the Project identified in the Regulatory Agreement.

“*Participant*” means a broker-dealer, bank or other financial institution for which the Securities Depository holds Bonds as a securities depository.

“*Paying Agent*” or “*Paying Agents*” means such financial institutions and their successors and assigns as are appointed additional Paying Agents pursuant to the Indenture.

“*Permitted Investments*” will mean, to the extent authorized by law for investment of any moneys held under the Indenture:

(a) 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 of the United States of America (“Government Obligations”).

(b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America or direct obligations of the World Bank, which obligations are rated in “Aaa” by Moody’s and/or “AAA” by S&P.

(c) Demand deposits or time deposits with, or certificates of deposit issued by any bank organized under the laws of the United States of America or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than \$50,000,000 and maturing in less than 365 days; provided that such institution has been rated at least “VMIG-1”/“A-1+” by Moody’s/S&P which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation or collateralized pursuant to the requirements of the Office of the Comptroller of the Currency.

(d) Bonds (including tax-exempt bonds), bills, notes or other obligations of or secured by Fannie Mae, Freddie Mac, the Federal Home Loan Bank or the Federal Farm Credit Bank.

(e) Money market funds rated “AAA” by S&P which are registered with the Securities and Exchange Commission and which meet the requirements of Rule 2(a)(7) of the Investment Company Act of 1940, as amended.

(f) Collateralized Investment Agreements or Repurchase Agreements with financial institutions rated in the “A” category or higher without regard to qualifiers, by at least one Rating Agency. The agreement must be continually collateralized with obligations specified in paragraphs (a), (b) and/or (d) above, eligible for wire through the Federal Reserve Bank System or the DTC/PTC as applicable, and at a level of at least 103% of the amount on deposit and valued no less than daily. The collateral must be held by a third-party custodian and be free and clear of all liens and claims of third parties. Securities must be valued daily, marked-to-market at current market price plus accrued interest. If the market value of the securities is found to be below the required level, the provider must restore the market value of the securities to the required level within one (1) business day. Permitted collateral must be delivered to and held in a segregated account by a custodian (the “Collateral Agent”), and the Collateral Agent cannot be the provider. The collateral must be delivered to the Collateral Agent before/simultaneous with payment (perfection by possession of certificated securities). Acceptable collateral must be free and clear of all liens and claims of third parties and will be registered in the name of the Collateral Agent for the benefit of the Issuer. The agreement will state that the Collateral Agent has a valid and perfected first priority security interest in the securities, any substituted securities and all proceeds thereof.

“*Person*” or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, limited liability companies, public or governmental bodies, other legal entities and natural persons..

“*Program Monitor*” means the Agency or any administrator or program monitor appointed by the Agency to administer the Regulatory Agreement, and any successor administrator appointed by the Agency.

“Program Report” means the report to be filed by the Owner with the Program Monitor, which will be substantially in the form attached as an exhibit to the Regulatory Agreement or in such other comparable form as may be provided by the Agency to the Owner, or as otherwise approved by the Agency.

“Project” means the 146-unit (including one manager’s unit) multifamily rental housing development located in the City and County of San Francisco, California and known as 833 Bryant Apartments.

“Project Costs” means and will be deemed to include all of the costs of the development, acquisition, construction and improvement of the Project, to the extent permitted by the Act, whether incurred prior to or after the date of the Agreement, including, but not limited to, any Costs of Issuance.

“Project Fund” means the fund by that name established pursuant to the Indenture.

“Project Fund Bond Account” means the account by that name within the Project Fund, established pursuant to the Indenture.

“Project Fund Equity Account” means the account by that name within the Project Fund, established pursuant to the Indenture.

“Property” means the real property described in an exhibit to the Regulatory Agreement.

“Qualified Project Period” means the period beginning on the first day on which at least 10% of the units in the Project are first occupied and ending on the later of the following:

(A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied;

(B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding;

(C) the date on which any assistance provided with respect to the Project under HUD Section 8 terminates; or

(D) such later date as set forth in the “Requirements of CDLAC” provisions of the Regulatory Agreement;

“Rating Agency” means Moody’s, or any other nationally recognized statistical rating agency then rating the Permitted Investments.

“Rebate Analyst” means a certified public accountant, financial analyst or lawyer, or any firm of the foregoing, experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code as selected by the Borrower, and acceptable to the Issuer, to make the computations and give the directions required under the Indenture.

“Rebate Analyst Fee” means the fee paid to the Rebate Analyst during the term of the Indenture.

“Rebate Fund” means the Rebate Fund established pursuant to the Indenture, which fund will not constitute a part of the Trust Estate.

“Record Date” means the fifteenth day of the calendar month next preceding the calendar month in which occurs a Bond Payment Date.

“Redemption Price” means, with respect to any Bond, the amount, including any applicable premium, payable upon the optional or mandatory redemption thereof, as provided in the Indenture.

“*Registered Owner*” means the person or persons in whose name or names a Bond will be registered on the books of the Issuer kept for that purpose in accordance with provisions of the Indenture.

“*Registrar*” or “*Bond Registrar*” means the Trustee and its successors and assigns, appointed pursuant to the Indenture, as the agent of the Issuer and at whose office Bonds may be presented for registration, transfer or exchange.

“*Regulations*” means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

“*Regulatory Agreement*” means the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of July 1, 2020, among the Issuer, the Trustee and the Borrower as may be amended from time to time.

“*Rent Payments*” means all rent payments received by the Borrower from the City pursuant to the Lease.

“*Rental Payments*” means the rental payments paid by the occupant of a unit, excluding any supplemental rental assistance to the occupant from the State, the federal government, or any other public agency, but including any mandatory fees or charges imposed on the occupant by the Owner as a condition of occupancy of the unit.

“*Revenue Fund*” means the fund by that name established pursuant to the Indenture.

“*Securities Depository*” means The Depository Trust Company and any substitute for or successor to such securities depository that will maintain a Book Entry System with respect to the Bonds.

“*Securities Depository Nominee*” means the Securities Depository or the nominee of such Securities Depository in whose name there will be registered on the registration books the Bonds to be delivered to such Securities Depository during the continuation with such Securities Depository of participation in its Book Entry System.

“*Security Agreement*” means that certain First Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (as amended, restated and/or supplemented from time to time) dated as of July 1, 2020, to be made by the Borrower in favor of the Issuer, as assigned to the Trustee to secure the performance by the Issuer of its obligations under the Indenture.

“*Servicer*” means, at any time that the Letter of Credit is in effect, the Letter of Credit Provider or its designee. The initial Servicer will be Citibank, N.A.

“*Servicer Representative*” means any authorized signatory of the Servicer, or any person who is authorized in writing to take the action in question on behalf of the Servicer

“*Sole Member*” means Mercy Housing Calwest, a California nonprofit public benefit corporation, its successors and assigns.

“*S&P*” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, and its successors.

“*State*” means the State of California.

“*Sublease*” means the Sublease Agreement to be entered into by and between the Borrower and the City, including all amendments thereof or supplements thereto.

“*Tax Certificate*” means the Tax Certificate and Agreement, dated the Closing Date, between the Issuer and the Borrower.

“*Tax-Exempt*” means with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes; provided, however, that such

interest may be 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.

“*Transfer*” means the conveyance, assignment, sale or other disposition of all or any portion of the Project; and will also include, without limitation to the foregoing, the following: (1) an installment sales agreement wherein Owner agrees to sell the Project or any part thereof for a price to be paid in installments; and (2) an agreement by the Owner leasing all or a substantial part of the Project to one or more persons or entities pursuant to a single or related transactions.

“*Trust Estate*” means the property conveyed to the Trustee pursuant to the Granting Clauses in the Indenture.

“*Trustee*” means U.S. Bank National Association, as Trustee under the Indenture, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Trustee at the time serving as successor trustee under the Indenture.

“*Trustee Fee*” means the annual amount to be paid to the Trustee for customary services provided with respect to the Bonds, which will be payable in an annual installment, in advance, on each April 1, commencing on April 1, 2021.

“*Underwriter*” means Citibank, N.A., as Underwriter of the Bonds, and its successors and assigns.

“*Very Low Income Tenant*” means a tenant occupying a Very Low Income Unit.

“*Very Low Income Unit*” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of “very low-income families” (based upon 50% of Area median income) under HUD Section 8, with adjustments for family size. A unit occupied by one or more students will only constitute a Very Low Income Unit if such students meet the requirements of Section 142(d)(2)(C) of the Code. The determination of an Available Unit’s status as a Very Low Income Unit will be made by the Owner upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant.

THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere in the Official Statement. This summary does not purport to be comprehensive, and reference should be made to the Indenture for a full and complete statement of its provisions.

The Bonds

Execution; Limited Obligation. The Bonds will be executed on behalf of the Issuer by the manual or facsimile signature of the Executive Director of the Issuer, and attested by the manual or facsimile signature of the Secretary of the Board of Directors of the Issuer. The Bonds will then be delivered to the Trustee for authentication by it. In case any officer of the Issuer or Authorized Signatory who will have signed or attested any of the Bonds will cease to be such officer or Authorized Signatory before the Bonds so signed or attested will have been authenticated or delivered by the Trustee or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, will be as binding upon the Issuer as though those who signed and attested the same had continued to be such officers of the Issuer or Authorized Signatory, and also any Bond may be signed and attested on behalf of the Issuer by such persons as at the actual date of execution of such Bond will be the proper officers of the Issuer or Authorized Signatory although at the nominal date of such Bond any such person will not have been such officers of the Issuer or Authorized Signatory.

Authentication. No Bond will be valid or obligatory for any purpose or entitled to any security or benefit under the Indenture unless and until a certificate of authentication on such Bond substantially in the form set forth on an exhibit to the Indenture will have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond will be conclusive evidence that such Bond has been authenticated and delivered under the

Indenture. The Trustee's certificate of authentication on any Bond will be deemed to have been executed by it if signed by an authorized representative of the Trustee, but it will not be necessary that the same representative execute the certificate of authentication on all of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer will execute and the Trustee will authenticate a new Bond of like date, maturity and denomination to that mutilated, lost, stolen or destroyed, provided that, in the case of any mutilated Bond, such mutilated Bond will first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there first will be furnished to the Issuer, the Borrower and the Trustee evidence of such loss, theft or destruction satisfactory to the Issuer, the Borrower and the Trustee, together with an indemnity satisfactory to them. In the event any such Bond will have matured, instead of issuing a duplicate Bond, the Issuer may pay the same without surrender thereof making such requirements as it and the Borrower deem fit for their protection, including a lost instrument bond. The Issuer and the Trustee may charge the holder or owner of such Bond with their reasonable fees and expenses for such service.

Registration and Exchange of Bonds; Persons Treated as Owners. The Trustee is constituted and appointed under the Indenture and agrees to act as the Bond Registrar of the Issuer and will keep for and on behalf of the Issuer books for the registration and for the transfer of the Bonds as provided in the Indenture. The principal of any Bond will be payable only to or upon the order of the Registered Owner or his legal representative. Upon surrender for transfer of any Bond at the designated corporate trust office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing, the Issuer will execute and the Trustee will authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds for the proper principal amount.

No Bonds may be issued to "Bearer."

Bonds may be exchanged at the corporate trust operations office of the Trustee for the proper principal amount of Bonds of other Authorized Denominations of the same series and the same maturity. Exchanged Bonds will have the same rights under the Indenture, as the Bonds which were exchanged. The Issuer will execute and the Trustee will authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding. The execution by the Issuer of any Bond of any denomination will constitute full and due authorization of such denomination, and the Trustee will thereby be authorized to authenticate and deliver such Bond.

In each case, the Trustee will require the payment by the Bondholder requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer and of no other payments. All other costs of such transfers and exchanges will be borne by the Borrower.

The Trustee will not be required to transfer or exchange any Bond during the period of 15 days next preceding any Bond Payment Date nor to transfer or exchange any Bond after notice calling such Bond or portion thereof for redemption has been given as provided in the Indenture, nor during the period of 15 days next preceding the giving of such notice of redemption.

The person in whose name any Bond will, except as otherwise described in the Indenture with respect to certain rights of Beneficial Owners, be registered will be deemed and regarded as the absolute owner thereof for all purposes, and payment of either principal or interest on any Bond will be made only to or upon the written order of the Registered Owner thereof or his legal representative, but such registration may be changed only as provided in the Indenture. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. Upon a transfer of a Bond, each transferee of such Bond will be deemed to have certified to the Trustee and the Issuer and acknowledged, represented and agreed with the Borrower that such transferee is acquiring the Bond for its own account.

Notwithstanding the foregoing, for so long as the Bonds are held under the Book Entry System, transfers of beneficial ownership will be effected pursuant to rules and procedures established by the Securities Depository.

Destruction of Bonds. Whenever any Outstanding Bond will be delivered to the Trustee for cancellation pursuant to the Indenture, upon payment of the principal amount or interest represented thereby, or for replacement pursuant to the Indenture, such Bond will be promptly cancelled and cremated or otherwise destroyed by the Trustee in accordance with any applicable record retention regulations, and counterparts of a certificate of destruction evidencing such cremation or other destruction will be furnished by the Trustee to the Issuer and the Borrower upon request.

Temporary Bonds. Until Bonds in definitive form are ready for delivery, the Issuer may execute, and upon the request of the Issuer, the Trustee will authenticate and deliver, subject to the provisions, limitations and conditions set forth above, one or more Bonds in temporary form, whether printed, typewritten, lithographed or otherwise produced, substantially in the form of the definitive Bonds, with appropriate omissions, variations and insertions, and in Authorized Denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form will be entitled to the lien and benefit of the Indenture. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer will, without unreasonable delay, prepare, execute and deliver to the Trustee, and the Trustee will authenticate and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange will be made by the Trustee without making any charge therefor to the holder of such Bond in temporary form.

Book Entry System.

(a) The Bonds will be issued pursuant to a Book Entry System administered by the Securities Depository with no physical distribution of Bond certificates to be made except as provided under the heading “–Book Entry System.” Any provision of the Indenture or the Bonds requiring physical delivery of the Bonds will, with respect to any Bonds held under the Book Entry System, be deemed to be satisfied by a notation on the bond registration books maintained by the Trustee that such Bonds are subject to the Book Entry System. If at any time the Securities Depository ceases to hold the Bonds, all references in the Indenture to the Securities Depository will be of no further force and effect.

(b) So long as a Book Entry System is being used, one Bond for each maturity of the Bonds in the aggregate principal amount of such Bonds and registered in the name of the Securities Depository Nominee will be issued and required to be deposited with the Securities Depository and held in its custody. The Book Entry System will be maintained by the Securities Depository and the Participants and Indirect Participants and will evidence beneficial ownership of the Bonds, with transfers of ownership effected on the records of the Securities Depository, the Participants and the Indirect Participants pursuant to rules and procedures established by the Securities Depository, the Participants and the Indirect Participants. The principal of and interest on each Bond will be payable to the Securities Depository Nominee or any other person appearing on the Registration Books as the registered Holder of such Bond or its registered assigns or legal representative at the principal office of the Trustee. So long as the Book Entry System is in effect, the Securities Depository will be recognized as the Holder of the Bonds for all purposes. Transfers of principal and interest payments or notices to Participants and Indirect Participants will be the responsibility of the Securities Depository. Transfers of principal and interest payments or notices to Beneficial Owners will be the responsibility of the Participants and the Indirect Participants. No other party will be responsible or liable for such transfers of payments or notices or for maintaining, supervising or reviewing such records maintained by the Securities Depository, the Participants or the Indirect Participants. While the Securities Depository Nominee or the Securities Depository, as the case may be, is the registered owner of the Bonds, notwithstanding any other provisions set forth in the Indenture, payments of principal of and interest on the Bonds will be made to the Securities Depository Nominee or the Securities Depository, as the case may be, by wire transfer in immediately available funds to the account of said Holder. Without notice to or the consent of the Beneficial Owners, the Trustee, with the consent of the Borrower, and the Securities Depository may agree in writing to make payments of principal, redemption price and interest in a manner different from that set out in the Indenture. In such event, the Trustee will make payments with respect to the Bonds in such manner as if set forth in the Indenture.

(c) The Borrower may at any time elect (i) to provide for the replacement of any Securities Depository as the depository for the Bonds with another qualified Securities Depository, or (ii) to discontinue the maintenance of the Bonds under a Book Entry System. In such event, the Trustee will give 30 days’ prior notice of such election to the Securities Depository (or such fewer number of days as will be acceptable to such Securities Depository).

(d) Upon the discontinuance of the maintenance of the Bonds under a Book Entry System, the Issuer will cause Bonds to be issued directly to the Beneficial Owners of Bonds, or their designees, as further described below. In such event, the Trustee will make provisions to notify Participants and the Beneficial Owners of the Bonds, by mailing an appropriate notice to the Securities Depository, that Bonds will be directly issued to the Beneficial Owners of Bonds as of a date set forth in such notice, which will be a date at least 10 days after the date of mailing of such notice (or such fewer number of days as will be acceptable to the Securities Depository).

(e) In the event that Bonds are to be issued to the Beneficial Owners of the Bonds, or their designees, the Issuer, at the expense of the Borrower, will promptly have prepared Bonds in certificated form registered in the names of the Beneficial Owners of Bonds shown on the records of the Participants provided to the Trustee, as of the date set forth in the notice described above. Bonds issued to the Beneficial Owners, or their designees, will be in fully registered form substantially in the form set forth in an exhibit to the Indenture.

(f) If any Securities Depository is replaced as the depository for the Bonds with another qualified Securities Depository, the Issuer, at the expense of the Borrower, will issue to the replacement Securities Depository Bonds substantially in the form set forth in an exhibit to the Indenture, registered in the name of such replacement Securities Depository.

(g) The Issuer, the Borrower and the Trustee will have no liability for the failure of any Securities Depository to perform its obligation to any Participant, any Indirect Participant or any Beneficial Owner of any Bonds, and the Issuer, the Borrower or the Trustee will not be liable for the failure of any Participant, Indirect Participant or other nominee of any Beneficial Owner of any Bonds to perform any obligation that such Participant, Indirect Participant or other nominee may incur to any Beneficial Owner of the Bonds.

(h) Notwithstanding any other provision of the Indenture, on or prior to the Closing Date the Issuer will have executed and delivered to the initial Securities Depository a Letter of Representations governing various matters relating to the Securities Depository and its activities pertaining to the Bonds. The terms and provisions of such Letter of Representations are incorporated in the Indenture by reference and, in the event there will exist any inconsistency between the substantive provisions of the said Letter of Representations and any provisions of the Indenture, then, for as long as the initial Securities Depository will serve with respect to the Bonds, the terms of the Letter of Representations will govern.

(i) The Issuer, the Borrower and the Trustee may rely conclusively upon (i) a certificate of the Securities Depository as to the identity of the Participants in the Book Entry System; (ii) a certificate of any Participant as to the identity of any Indirect Participant and (iii) a certificate of any Participant or Indirect Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

Notification of Issuer of Amount of Outstanding Bonds. On or before July 15 of each year the Trustee will notify the Issuer, via mutually acceptable electronic means or by mail, of the aggregate principal amount of Outstanding Bonds as of July 2 of such year or that no Bonds remain Outstanding.

Redemption of Bonds Before Maturity

Redemption Payments. On or prior to the date fixed for redemption, funds received from the Borrower pursuant to the Agreement will be deposited with the Trustee to pay, and the Trustee is authorized by the Indenture and directed to apply such funds to the payment of, the Bonds or portions thereof called, together with accrued interest thereon to the redemption date; provided that, with respect to the redemption of Bonds pursuant to the Indenture, proceeds from the draw on the Letter of Credit and amounts on deposit in the Capitalized Interest Account will be used for the redemption of Bonds. Upon the giving of notice for redemption in accordance with the Indenture, the Bonds or portions thereof called for redemption will become due and payable on the redemption date at the redemption price and (if the moneys necessary to effect such redemption are on deposit with the Trustee and available therefor) will cease to bear interest from and after the redemption date; and such Bonds or portions thereof will cease from and after the redemption date to be entitled to any benefit or security under the Indenture, and the holders thereof will have no rights in respect of such Bonds or portions thereof except the right to receive payment of the redemption price thereof and interest accrued to the redemption date. If any Bond or portion thereof called for redemption will not be paid at the redemption date or upon surrender thereof for redemption (because the moneys necessary to effect such

redemption are not on deposit with the Trustee and available therefor), whichever is the later to occur, such Bond will continue to bear interest until paid.

While a Book Entry System is in effect, the procedures of the Securities Depository will control with respect to the selection of Bonds to be redeemed.

Cancellation. All Bonds which have been redeemed will not be reissued but will be canceled and cremated or otherwise destroyed by the Trustee in accordance with the Indenture.

Nonpresentment of Bonds; Disposition of Unclaimed Money.

(a) In the event any Bond will not be presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, if funds sufficient to pay any such Bond will have been made available to the Trustee for the benefit of the holder or Registered Owner thereof, all liability of the Issuer to the holder or Registered Owner thereof for the payment of such Bond will forthwith cease, determine and be completely discharged, and thereupon it will be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the holder or Registered Owner of such Bond who will thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond. Such moneys will be held in a separate and segregated fund and will not be invested.

(b) Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds for at least two years after the date on which the same will have become due will then be paid by the Trustee to the Borrower upon the written direction of the Borrower. Thereafter Bondholders will be entitled to look only to the Borrower for payment, the Borrower will not be liable for any interest thereon and will not be regarded as a trustee of such moneys, and the Trustee will have no further responsibilities with respect to such moneys.

(c) The obligation of the Trustee under this section to pay any such funds to the Borrower will be subject, however, to all applicable escheat laws of the State and to any other provisions of law applicable to the Trustee or to such funds providing other requirements for disposition of unclaimed property.

Purchase of Bonds in Lieu of Redemption.

(a) Notwithstanding anything in the Indenture to the contrary, if the Bonds are subject to redemption pursuant to the provisions of the Indenture, the Bonds may be purchased by the Trustee (the "Purchased Bonds") (for the account of the Borrower or the Letter of Credit Provider or their respective designee, as directed by such party) on the date that would be the redemption date, which date will be treated as a mandatory tender date for purposes of the Indenture, at the direction of the Letter of Credit Provider or the Borrower, with the prior written consent of the Letter of Credit Provider (which direction will specify that such purchase is pursuant to this section and will be given no later than 5:00 p.m., New York City time two Business Days prior) on such redemption date, at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date. In the event the Trustee is so directed to purchase Bonds in lieu of redemption, no notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required under the Indenture) will be required, and the Trustee will be authorized to apply to such purpose the funds which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased.

(b) Bonds purchased in lieu of redemption may not be transferred to another Registered Owner without the written approval of the Issuer given in its sole discretion. Notwithstanding the foregoing, Bonds purchased in lieu of redemption may be transferred without the requirement for any approval of the Issuer: (i) if the Bonds are transferred to the Letter of Credit Provider or an affiliate of the Letter of Credit Provider; (ii) if the Bonds are transferred to one "Qualified Institutional Buyer," as defined in Rule 144A promulgated under the Securities Act of 1933, as amended, who delivers to the Trustee an Investor Letter in substantially the form attached to the Indenture as an exhibit; or (iii) or if the Bonds are transferred to one or more bondholders following issuance by Moody's, S&P or another nationally recognized rating agency of a rating of such Bonds or such interests in such Bonds which places the same in one of the three highest rating categories (without regard to plus or minus designations) maintained by such agency; provided, however, that prior to any transfer the Issuer, Trustee will have received an opinion of Bond

Counsel to the effect that the purchase and transfer of the Bonds will not adversely affected the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds.

(c) The Letter of Credit Provider will provide the Trustee and Issuer with notice regarding the interest rate borne by the Purchased Bonds.

(d) Such Purchased Bonds, if not remarketed or transferred as provided in the Indenture, will be redeemed and cancelled automatically by the Trustee on the date which is not later than two years from the date of purchase, unless an opinion of Bond Counsel is delivered to the Issuer and the Trustee to the effect that not redeeming and canceling such Purchased Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Any purchase of Bonds under the Indenture is not intended as an extinguishment of the debt represented by the Bonds. Following any purchase of Bonds pursuant to this section, in no event will the Letter of Credit (or any funds drawn under the Letter of Credit) directly or indirectly secure, or provide a source of payments of amounts due from time to time with respect to Bonds purchased pursuant to this section. Notwithstanding the foregoing, a purchase in lieu of redemption will not be permitted if such purchase would result in an obligor on the Loan or any related party to that obligor having purchased Bonds in an amount related to the amount of the Loan acquired from that obligor, as set forth in Section 1.148-1(b) of the Regulations.

Upon a redemption date on which all Bonds (other than Purchased Bonds) are redeemed or on a date on which all Bonds (other than Purchased Bonds) are presented to the Trustee for cancellation pursuant to this section, all Purchased Bonds will be deemed cancelled provided that the Letter of Credit Provider has consented to such cancellation in writing. No further money will be required to be paid by the Issuer or the Letter of Credit Provider in connection with such cancellation; however, such cancellation will not release the obligation of the Borrower to reimburse the Letter of Credit Provider for payments made in respect of principal of, interest on or Purchase Price of the Bonds, including Purchased Bonds.

General Covenants

Designation of Trustee as Bond Registrar and Paying Agent; Designation of Any Additional Paying Agents. The Trustee is designated by the Indenture and agrees to act as Bond Registrar and Paying Agent for and in respect to the Bonds. The Issuer covenants and agrees, upon the written request of the Trustee or (with the written approval of the Trustee) the Borrower, to cause the necessary arrangements to be made through the Trustee and to be thereafter continued for the designation of any additional Paying Agents as may be approved by the Borrower and for the making available of funds under the Indenture for the payment of such of the Bonds as will be presented when due at the designated office of said additional Paying Agents.

Diminution of, or Encumbrance on, Trust Estate. Except pursuant to the Lease, the Issuer covenants not to sell, transfer, assign, pledge, release, encumber or otherwise diminish or dispose of, directly or indirectly, by merger or otherwise, or cause or suffer the same to occur, or create or allow to be created or to exist any lien upon, all or any part of its interests in the Trust Estate, except as expressly permitted by the Indenture.

Revenues and Funds

Creation of Funds and Accounts. There are created and ordered established under the Indenture the following Funds and Accounts established in the Borrower's name to be held by the Trustee:

- (a) Project Fund (and the Project Fund Bond Account and Project Fund Equity Account therein), and the Capitalized Interest Account therein (and the Capitalized Interest Bond Subaccount and Capitalized Interest Equity Subaccount therein);
- (b) Costs of Issuance Fund;
- (c) Revenue Fund;
- (d) Bond Fund;

- (e) Fees Fund;
- (f) Rebate Fund; and
- (g) Extraordinary Event Proceeds Fund.

The account numbers and wiring instructions with respect to each Fund and Account are as set forth in an exhibit to the Indenture. The Trustee is authorized to create from time to time such accounts and sub-accounts under the Indenture as may be deemed necessary by the Issuer or the Borrower.

Project Fund. Moneys in the Project Fund will be used and withdrawn by the Trustee to pay the Project Costs.

(a) Before any payment from the Project Fund will be made to pay any Project Costs of the Project, the Borrower will file or cause to be filed with the Trustee a requisition of the Borrower in substantially the form attached as an exhibit to the Indenture and countersigned by a Servicer Representative.

(b) The Trustee will cause to be kept and maintained adequate records pertaining to the Project Fund and all disbursements therefrom. If requested by the Issuer, the Servicer or the Borrower Representative, the Trustee will file copies of the records pertaining to the Project Fund and all disbursements from such fund with the Issuer, the Servicer and the Borrower. Upon receipt by the Trustee of a certificate from the Borrower and countersigned by a Servicer Representative stating that the Project has been completed, the Trustee will transfer the remaining funds in the Project Fund constituting Bond proceeds and investment earnings on such proceeds to the Bond Fund. Upon such transfer, the Project Fund will be closed.

(c) Following the delivery of the Lease Delivery Notice and the delivery by the Borrower to the Trustee of a notice to the effect that the Borrower will submit no further requisitions with respect to amounts on deposit in the Project Fund, any amounts remaining on deposit in the Project Fund will be set aside and applied to redeem Bonds on a *pro rata* basis in \$5,000 denominations pursuant to the optional redemption provisions of the Indenture or in such other manner as the Borrower will direct, if accompanied by an opinion of Bond Counsel to the effect that the application of such funds in such other manner will not affect adversely the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(d) Notwithstanding any provision of this section to the contrary, so long as amounts are on deposit in the Capitalized Interest Account, the Trustee will, without any requisition or other direction from the Borrower or any other party, transfer amounts on deposit in the Capitalized Interest Account directly to the Bond Fund prior to transferring any amounts from the Revenue Fund for such purpose pursuant to the "Revenue Fund" provisions of the Indenture. If the Lease Delivery Deadline is extended and the Lease Delivery Notice is delivered after October 1, 2022, upon the delivery of the Lease Delivery Notice, the Trustee will determine the amount necessary to transfer from the Capitalized Interest Account to the Bond Fund, (taking into account any rental payments to be made under the Lease prior to such Bond Payment Date) to pay interest on the Bonds on the next succeeding Bond Payment Date and will transfer such amount to the Bond Fund, and the Trustee will transfer any amounts thereafter remaining in the Capitalized Interest Account to the Project Fund.

(e) At the direction of the Borrower, approved by the Servicer Representative, Trustee will transfer specified amounts from the Project Fund to the Capitalized Interest Account.

(f) In making draws from the Capitalized Interest Account, the Trustee will first draw from the Capitalized Interest Bond Subaccount. The Trustee will apply any excess amounts in the Capitalized Interest Bond Subaccount to the Project Fund Bond Account, and apply any excess amounts in the Capitalized Interest Equity Subaccount goes to the Project Fund Equity Account.

Costs of Issuance Fund. The Trustee will apply moneys on deposit in the Costs of Issuance Fund to pay Costs of Issuance pursuant to a requisition of the Borrower. Any moneys on deposit in the Costs of Issuance Fund remaining therein 90 days after the Closing Date will be transferred to the Project Fund.

Revenue Fund. The Trustee will deposit into the Revenue Fund: (i) all Rent Payments (as defined in the Lease) received by the Trustee pursuant to the Lease; (ii) any other amounts received from the Borrower and designated by the Borrower in writing for deposit into the Revenue Fund; and (iii) all investment earnings, except as otherwise expressly provided in the Indenture.

Two Business Days prior to each April 1 Bond Payment Date the Trustee will make the following transfers in the following order of priority:

- (a) to the Fees Fund, an amount equal to the Trustee Fee, the Issuer Fee, the Rebate Analyst Fee and the Dissemination Agent Fee;
- (b) to the Bond Fund, an amount equal to the interest due on the Bonds on the next Bond Payment Date (subject to *pro rata* adjustment for deposits prior to the first Bond Payment Date);
- (c) to the Bond Fund, an amount equal to the principal and mandatory sinking payments due on the Bonds on the next Bond Payment Date; and
- (d) to the Rebate Fund, the amount, if any, the Trustee is to deposit therein pursuant to the Indenture.

Two Business Days prior to each October 1 Bond Payment Date the Trustee will make the following transfers in the following order of priority:

- (a) to the Bond Fund, an amount equal to the interest due on the Bonds on the next Bond Payment Date; and
- (b) to the Rebate Fund, the amount, if any, the Trustee is to deposit therein pursuant to the Indenture.

No deposit required pursuant to this section need be made if the amount on deposit in the applicable Fund and available for the purposes set forth in the Indenture is sufficient to pay the obligations payable from such Fund in a timely manner.

If the Trustee has not received the amounts required to make the required transfers to the Bond Fund by the second Business Day prior to each Bond Payment Date, the Trustee will immediately notify the Borrower of such deficiency.

Following the transfers set forth in this section, any excess funds retained in the Revenue Fund will be released by the Trustee to the Borrower.

Bond Fund.

- (a) The Trustee will deposit in the Bond Fund when and as received all amounts transferred from the Revenue Fund pursuant to the Indenture.
- (b) All amounts deposited in the Bond Fund will be used by the Trustee on each Bond Payment Date for the payment of the principal of and interest on the Bonds when due.
- (c) Any balance remaining in the Bond Fund on each Bond Payment Date, after making the payments required above, will be transferred to the Revenue Fund.

Fees Fund. The Trustee will deposit amounts to the Fees Fund transferred from the Revenue Fund. The Trustee will use amounts in the Fees Fund to pay on each the date such fee is due the Trustee Fee, the Issuer Fee, the Rebate Analyst Fee, and the Dissemination Agent Fee.

Rebate Fund. Amounts will be deposited in the Rebate Fund and will be applied as provided in the Tax Certificate. Within 30 days after the end of each Bond Year and within 55 days after the date on which no Bonds are

outstanding, the Borrower will deliver to the Trustee a certificate stating whether any rebate payment is required to be made and the amount of any such rebate payment to be made, as set forth in the Tax Certificate, and the Trustee will make such payment, as directed in writing by the Borrower. The Trustee will have no obligation with respect to the Rebate Fund other than to make the deposits requested by the Borrower and to make payments to the U.S. Government in accordance with written instructions of the Borrower. Money deposited in the Rebate Fund will be held by the Trustee in trust for payment to the federal government for the United States of America, and neither the Issuer nor the holder of any Bonds will have any rights in or claim to such money. If a deposit to the Rebate Fund is required in accordance with the written direction of the Rebate Analyst, the Borrower is obligated to pay such amount pursuant to the Agreement and the Trustee will deposit such amount in the Rebate Fund as required by the Indenture for the benefit of the Issuer. If the computations of the Rebate Analyst show that a withdrawal may be made from the Rebate Fund due to negative arbitrage, the Trustee will, upon receipt of an approving opinion of Bond Counsel to the effect that such withdrawal will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds, and in accordance with the written directions of the Borrower and the Rebate Analyst, withdraw such amount from the Rebate Fund and transfer such amount to the Revenue Fund. Records of the actions required to be taken by the Trustee under this section must be retained by the Trustee until six years after the last Bond is no longer Outstanding (or for such longer period as may be required by the Trustee's policies and procedures).

Each payment required to be paid to the United States Treasury pursuant to this section will be filed with the then appropriate Internal Revenue Service Center. Each statement or computation prepared by the Rebate Analyst will be furnished to the Trustee by the Borrower summarizing the determination of the amount to be paid to the United States Treasury. The Trustee may conclusively rely on all certifications and computations received from the Rebate Analyst.

The requirements of this section will be amended or supplemented as may be required or permitted, in the opinion of Bond Counsel addressed and delivered to the Issuer, the Trustee and the Borrower, in order to comply with the Code and the Regulations. All interest earned on the Rebate Fund will be retained therein.

Extraordinary Event Proceeds Fund. Amounts may be deposited in the Extraordinary Event Proceeds Fund pursuant to the Agreement.

(a) Before any payment from the Extraordinary Event Proceeds Fund will be made, the Borrower will file or cause to be filed with the Trustee a requisition of the Borrower stating: (i) the item number of such payment; (ii) the name of the Person to whom each such payment is due, which may be the Borrower in the case of reimbursement for costs of such repair or replacement theretofore paid by the Borrower; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; (v) that obligations in the stated amounts have been incurred by the Borrower and are presently due and payable and that each item thereof is a proper charge against the Extraordinary Event Proceeds Fund and has not been previously paid from the Extraordinary Event Proceeds Fund; and (vi) that there has not been filed with or served upon the Borrower any notice of claim of lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such requisition, for which adequate security for the payment of such obligation has been posted, or which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by operation of law.

(b) Upon receipt of a requisition, the Trustee will pay the amount set forth in such requisition as directed by the terms thereof out of the Extraordinary Event Proceeds Fund. Each such requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts. The Trustee need not make any such payment of the obligation specified in such requisition if it has received any written notice of claim of lien, attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment, unless adequate security for the payment of such obligation has been posted.

(c) When the repair or replacement of damaged, destroyed or taken property will have been completed, the Borrower will deliver to the Trustee a statement of the Borrower stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such

costs have been paid less specified claims which are subject to dispute and for which a retention in the Extraordinary Event Proceeds Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon receipt of such statement, the Trustee will promptly transfer any remaining account balance in the Extraordinary Event Proceeds Fund, less the amount of any such retention, to be applied to the redemption of Bonds pursuant to the Indenture.

Moneys To Be Held in Trust. All moneys required to be deposited with or paid to the Trustee for the account of any fund referred to in any provision of the Indenture or the Agreement will be held by the Trustee in trust, and (except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given), will, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien or security interest created pursuant to the Indenture.

Release of Funds Upon Retirement of Bonds. Any amounts remaining in the Bond Fund or any other Fund or Account after payment in full of the principal of and interest on the Bonds, the fees, charges and expenses of the Trustee and all other amounts required to be paid under the Indenture or under the Agreement will be paid immediately to the Borrower, or, to the extent that the Bonds have been repaid from a draw under the Letter of Credit, to the Letter of Credit Provider.

Letter of Credit. (a) The Trustee is directed to accept and hold the Letter of Credit.

(b) If the Trustee does not receive a Lease Delivery Notice on or before the Lease Delivery Deadline, the Trustee will draw on the Letter of Credit, and apply the proceeds of such draw to redeem the Bonds pursuant to the Indenture.

(c) In the event that the Trustee receives a Lease Delivery Notice on or prior to the Lease Delivery Deadline, the Trustee will cancel and release the Letter of Credit, undrawn, to the Letter of Credit Provider and thereupon, all references in the Indenture to the Letter of Credit Provider or Servicer, and all matters related to the foregoing will be of no force or effect and will be disregarded for all purposes of the Indenture.

Extension of Lease Delivery Deadline. The Lease Delivery Deadline may be extended upon Borrower's provision to the Trustee for deposit into the Capitalized Interest Account of the Project Fund an amount sufficient for the funds in the Capitalized Interest Account to pay all interest, and scheduled principal, if any, due on the Bonds through the thirtieth day following the extended Lease Delivery Deadline (or if such thirtieth day is not a Business Day, to the next Business Day) together with an amendment to the Letter of Credit extending the expiration date to the Letter of Credit to a date not less than 45 days following the extended Lease Delivery Deadline.

Investment of Moneys

Investment of Moneys. Any moneys held as part of the Project Fund, Bond Fund or any other fund will be invested and reinvested by the Trustee at the direction of the Borrower in Permitted Investments. Any such investments will be held by or under the control of the Trustee. The Trustee will sell and reduce to cash a sufficient amount of such investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of and interest on the Bonds when due.

Although the Issuer recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Issuer agrees that confirmations of Permitted Investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

Prior to the Lease Delivery Deadline, all investment earnings received by the Trustee will be deposited in the Project Fund. Following the Lease Delivery Deadline, all investment earnings received by the Trustee will be deposited in the Revenue Fund.

Discharge of Lien

If the Issuer will pay or cause to be paid, or there will otherwise be paid or provision for payment made, to the holders and owners of the Bonds, the principal of and interest due or to become due thereon at the times and in the manner stipulated therein, and if the Issuer will not then be in Default in any of the other covenants and promises in the Bonds and in the Indenture expressed as to be kept, performed and observed by it or on its part, and if the Issuer will pay or cause to be paid to the Trustee and any Paying Agents all sums of money due or to become due according to the provisions of the Indenture, then these presents and the estate and rights granted by the Indenture will cease, determine and be void, whereupon the Trustee will release and discharge the Indenture and will cancel and discharge the lien of the Indenture, and execute and deliver to the Issuer such instruments in writing as will be requisite to release the lien of the Indenture, and reconvey, release, assign and deliver unto the Issuer any and all of the estate, right, title and interest in and to any and all rights or interests in property assigned or pledged to the Trustee or otherwise subject to the lien of the Indenture, except amounts held by the Trustee for the payment of the principal of and interest on the Bonds.

Any Bond will be deemed to be paid within the meaning of the provisions of the Indenture relating to "Discharge of Lien" and for all purposes of the Indenture when (a) payment of the principal of such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the Indenture) either (i) will have been made or caused to be made in accordance with the terms thereof, or (ii) will have been provided by irrevocably depositing with the Trustee, in trust and irrevocably setting aside exclusively for such payment, (A) moneys sufficient to make such payment and/or (B) Governmental Obligations, maturing as to principal and interest in such amount and at such time as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee pertaining to the Bonds with respect to which such deposit is made will have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond will be deemed to be paid under the Indenture, as aforesaid, such Bond will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Governmental Obligations.

Notwithstanding the foregoing, no deposit under clause (a)(ii) of the immediately preceding paragraph will be deemed a payment of such Bonds as aforesaid until (a) proper notice of redemption of such Bonds will have been previously given in accordance with the provisions of the Indenture relating to "Redemption of Bonds Before Maturity", or in the event said Bonds are not to be redeemed within the next succeeding 60 days, until the Borrower will have given the Trustee on behalf of the Issuer, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the holders and owners of the Bonds, in accordance with the provisions of the Indenture relating to "Redemption of Bonds Before Maturity," that the deposit required by (a)(ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the provisions of the Indenture relating to "Discharge of Lien" and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of said Bonds, plus interest thereon to the due date thereof; or (b) the maturity of such Bonds; provided, however, that the Issuer and the Trustee will have received in form and substance satisfactory to each (i) if a deposit is made in whole or in part as described under subclause (a)(ii)(B) of the immediately preceding paragraph, a verification report of an independent firm of nationally recognized certified public accountants or such other accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date; (ii) an escrow deposit agreement, and (iii) an opinion of Bond Counsel to the effect that the Bonds are no longer "Outstanding" under the Indenture. The verification report will be addressed to the Issuer and the Trustee; the defeasance opinion will be addressed to the Trustee.

All moneys so deposited with the Trustee as provided in the provisions of the Indenture relating to "Discharge of Lien" may at the direction of the Borrower also be invested and reinvested in Governmental Obligations, maturing in the amounts and times as set forth in the Indenture, and all income from all Governmental Obligations in the hands of the Trustee pursuant to the provisions of the Indenture relating to "Discharge of Lien" which is not required for the payment of the Bonds and interest thereon with respect to which such moneys will have been so deposited will be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in the Bond Fund.

Default Provisions and Remedies of Trustee and Bondholders

Defaults; Event of Default. If any of the following events occur, it is declared to constitute an “Event of Default”:

- (a) Default in the due and punctual payment of interest on any Bond and the continuation of such default for 30 days;
- (b) Default in the due and punctual payment of the principal of any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration and, in the case of a principal payment becoming due by reason of proceedings for redemption of Bonds pursuant to the Indenture, continuation of such default for 30 days;
- (c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in the Indenture or in the Bonds and failure to remedy the same after notice thereof pursuant to the Indenture; or
- (d) The occurrence of an “Event of Default” under the Agreement.

Acceleration. During the continuation of an Event of Default, the Trustee will, upon the written request of the holders of not less than 25% in aggregate principal amount of Outstanding Bonds, by notice in writing delivered to the Issuer and the Borrower, declare the principal of all Outstanding Bonds and the interest accrued thereon immediately due and payable, and such principal and interest will thereupon become and be immediately due and payable. Upon any declaration of acceleration under the Indenture, the Trustee will immediately declare an amount equal to all amounts then due and payable on the Bonds to be immediately due and payable under the Agreement.

Other Remedies; Rights of Bondholders. Upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of and interest on the Outstanding Bonds or the observance of any other covenant, agreement or obligation under the Indenture, the Agreement, the Security Agreement (subject to the Intercreditor Agreement), the Lease, or any other instrument providing security, directly or indirectly, for the Bonds.

If an Event of Default will have occurred and be continuing and if requested so to do by the holders of not less than 25% in aggregate principal amount of Outstanding Bonds and indemnified as provided in the Indenture, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by this section and by the other provisions in the Indenture, as will be deemed most expedient in the interests of the Bondholders.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Bondholders under the Indenture or now or hereafter existing at law or in equity.

No delay or omission in the exercise of any right or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

No waiver of any Event of Default under the Indenture, whether by the Trustee or by the Bondholders, will extend to or will affect any subsequent Event of Default or will impair any rights or remedies consequent thereon.

Nothing in the Indenture will be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Bondholder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding without the approval of the Bondholders so affected.

Right of Bondholders to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of the Outstanding Bonds will have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture, provided that such direction will not be otherwise than in accordance with the provisions of law and of the Indenture.

Appointment of Receivers. Upon the occurrence and continuance of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the revenues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment will confer.

Waiver. Upon the occurrence and during the continuance of an Event of Default, to the extent that such rights may then lawfully be waived, neither the Issuer, nor anyone claiming through or under it, will set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption laws of any jurisdiction now or hereafter in force, in order to prevent or hinder the enforcement of the Indenture, and the Issuer, for itself and all who may claim through or under it, waives, to the extent that it lawfully may do so, the benefit of all such laws.

Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture relating to "Default Provisions and Remedies of Trustee and Bondholders" will, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances incurred or made by the Trustee, and the retention of amounts sufficient to pay reasonably anticipated fees, costs and expenses, be deposited in the Bond Fund and all moneys in the Bond Fund will be applied as follows:

(a) Unless the principal of all the Bonds will have become or will have been declared due and payable, all such moneys will be applied:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest beginning with the earliest such maturity (with interest on overdue installments of such interest) and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which will have become due (other than Bonds matured previously or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates and beginning with the earliest due date (with interest on overdue installments of principal) and, if the amount available will not be sufficient to pay in full Bonds due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To be held for the payment to the persons entitled thereto as the same will become due of the principal of and interest on the Bonds which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available will not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment will be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds will have become due or will have been declared due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably,

according to the amounts due, respectively, for principal and interest, to the persons entitled thereto without any discrimination or privilege, with interest on overdue installments of interest or principal.

(c) If the principal of all the Bonds will have been declared due and payable and if such declaration will thereafter have been rescinded and annulled under the provisions of the provisions of the Indenture relating to "Default Provisions and Remedies of Trustee and Bondholders," then (unless the provisions of the Indenture relating to "Removal of Trustee" by the Borrower will thereafter apply as a result of the principal of all the Bonds later becoming due or being declared due and payable) the moneys will be applied in accordance with the provisions of the Indenture relating to "Removal of Trustee" by the owners of a majority in aggregate principal amount of Outstanding Bonds.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys will be applied at such times, and from time to time, as the Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee will apply such funds, it will fix the date (which will be a Bond Payment Date unless it will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates will cease to accrue. The Trustee will give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and will not be required to make payment to the holder of any Bond until such Bond will be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever the principal of and interest on all Bonds have been paid under the provisions of this section and all expenses and charges of the Trustee have been paid, any balance remaining in the Bond Fund will be paid to the Borrower.

Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee will be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds, and any recovery of judgment will be for the equal and ratable benefit of the holders of the Outstanding Bonds.

Rights and Remedies of Bondholders. No holder of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust of the Indenture or for the appointment of a receiver or any other remedy under the Indenture, unless (i) a Default has occurred of which the Trustee has been notified as provided in the Indenture, or of which by said subsection it is deemed to have notice, (ii) the holders of not less than 25% in aggregate principal amount of Outstanding Bonds will have made written request to the Trustee and will have offered it reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in their own name or names and they have offered to the Trustee indemnity as provided in the Indenture, and (iii) the Trustee will thereafter fail or refuse to exercise the powers granted in the Indenture, or to institute such action, suit or proceeding in its own name within a reasonable time. Such notification, request and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture (other than pursuant to the "Fees, Charges and Expenses of Trustee" provisions of the Indenture), and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture; it being understood and intended that no one or more holders of the Bonds will have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by its, his, her or their action or to enforce any right under the Indenture except in the manner provided in the Indenture, and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Indenture and for the equal and ratable benefit of the holders of all Outstanding Bonds. However, nothing contained in the Indenture will affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of and interest on each of the Bonds issued under the Indenture to the respective holders thereof at the time and place, from the source and in the manner in the Bonds expressed.

Termination of Proceedings. In case the Trustee will have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings will have been discontinued or abandoned for any reason, or will have been determined adversely, then and in every such case, the Issuer, the Trustee and the Bondholders will be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee will continue as if no such proceedings had been taken.

Waivers of Events of Default. The Trustee may at its discretion waive any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration of principal, and will do so upon the written request of the holders of (1) a majority in aggregate principal amount of all Outstanding Bonds in respect of which Default in the payment of principal or interest, exists or (2) a majority in aggregate principal amount of all Outstanding Bonds in the case of any other Default; provided, however, that there will not be waived any Default in the payment of the principal of or interest on any Outstanding Bonds unless prior to such waiver or rescission, all arrears of principal and interest (other than principal of or interest on the Bonds which became due and payable by declaration of acceleration), both, to the extent permitted by law, with interest on overdue installments, and all expenses of the Trustee in connection with such Default will have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Default will have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee and the Bondholders will be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission will extend to any subsequent or other Default, or impair any right consequent thereon.

Notice of Defaults under the provisions of the Indenture relating to default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in the Indenture or in the Bonds and failure to remedy the same after notice thereof; Opportunity of Issuer and Borrower To Cure Such Defaults. Anything in the Indenture to the contrary notwithstanding, no Default under the provisions of the Indenture relating to default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in this Indenture or in the Bonds and failure to remedy the same after notice thereof will constitute an Event of Default until actual notice of such Default by registered or certified mail will be given to the Issuer and the Borrower by the Trustee or by the holders of not less than 25% in aggregate principal amount of all Outstanding Bonds and the Issuer and the Borrower will have had 90 days after receipt of such notice to correct said Default or cause said Default to be corrected, and will not have corrected said Default or caused said Default to be corrected within the applicable period; provided, however, if said Default be such that it cannot be corrected within the applicable period, it will not constitute an Event of Default if corrective action is instituted by the Issuer or the Borrower within the applicable period and diligently pursued until the Default is corrected, which correction must be made within 120 days of the Issuer or Borrower's receipt of the initial notice of default.

With regard to any Default concerning which notice is given to the Issuer and the Borrower under the provisions of this section, the Issuer grants the Borrower full authority for account of the Issuer to perform any covenant or obligation alleged in said notice to constitute a Default, in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution.

Issuer's Non-Obligation to Enforce Assigned Rights Under Indenture and Agreement. Notwithstanding anything to the contrary in the Indenture, the Issuer will have no obligation to and instead the Trustee may, without further direction from the Issuer, take any and all steps, actions and proceedings, to enforce any or all rights of the Issuer (other than those specifically retained by the Issuer pursuant to the Agreement) under the Indenture or the Agreement, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Borrower under the Agreement.

Trustee

Acceptance of Trusts. The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants or obligations will be read into the Indenture against the Trustee. Subject to the limitation on the liability of the Trustee contained in this section, in case an Event of Default has occurred of which the Trustee is deemed under the Indenture to have knowledge (which has not been cured or waived), the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in the exercise of such rights and powers as a prudent person would exercise or use.

(b) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties by or through attorneys, agents, receivers or employees, but will not be answerable for the conduct of the same if appointed with due care, and will be entitled to advice of counsel concerning all matters of trust of the Indenture and its duties under the Indenture, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts of the Indenture. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Issuer or the Borrower) approved by the Trustee in the exercise of reasonable care. The Trustee will not be responsible for any loss or damage resulting from any action or inaction in good faith in reliance upon such opinion or advice.

(c) The Trustee will not be responsible for any recital in the Indenture or in the Bonds (except with respect to the certificate of the Trustee endorsed on the Bonds), or for insuring the Project, or for collecting any insurance moneys, or for the validity of the execution by the Issuer of the Indenture or of any supplements to the Indenture or instruments of further assurance, or for the sufficiency of the security for the Bonds issued under the Indenture or intended to be secured by the Indenture, or for the value or title of the Project or any lien waivers with respect to the Project, and the Trustee will not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer or on the part of the Borrower under the Agreement in connection with the matters referred to in the Indenture, except as set forth in the Indenture; but the Trustee may require of the Issuer or the Borrower full information and advice as to the performance of the covenants, conditions and agreements aforesaid and as to the condition of the property conveyed in the Indenture.

(d) The Trustee will not be accountable for the use of any Bonds authenticated or delivered under the Indenture or for the use or application by the Borrower of any moneys disbursed by the Trustee in accordance with the provisions of the Indenture. The Trustee may in good faith buy, sell, own and hold any of the Bonds and may join in any action which any Bondholder may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee may also engage in or be interested in financial or other transactions with the Issuer or the Borrower; provided, however, that if the Trustee determines that any such relationship is in conflict with its duties under the Indenture, it will eliminate the conflict or resign as Trustee. To the extent permitted by law, the Trustee may also purchase Bonds with like effect as if it were not the Trustee.

(e) The Trustee will be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond will be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee will be entitled to rely upon a certificate signed by an Issuer Representative or a Borrower Representative as sufficient evidence of the facts therein contained and, prior

to the occurrence and continuance of an Event of Default of which the Trustee has been notified as provided in the provisions of the Indenture relating to “Supplemental Indentures Not Requiring Consent of Bondholders” to facilitate the use of the Book Entry System, or of which by said subsection it is deemed to have notice, will also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but will in no case be bound to secure the same. The Trustee may accept a certificate of officials of the Issuer under the seal of the Issuer to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as a duty, and the Trustee will not be answerable for other than its negligence or willful misconduct in the performance of its powers and duties under the Indenture.

(h) The Trustee will not be required to take notice or be deemed to have notice of any Event of Default under the Indenture except failure by the Issuer to cause to be made any of the payments to the Trustee required to be made by the provisions of the Indenture relating to “General Covenants” or failure by the Issuer or the Borrower to file with the Trustee any document required by the Indenture or the Agreement to be so filed with the Trustee by deadlines specifically set forth in the Indenture or the Agreement, subsequent to the issuance of the Bonds, unless the Trustee will be specifically notified in writing of such Event of Default by the Issuer, the Borrower or by the holders of at least 25% in aggregate principal amount of Outstanding Bonds, and all notices or other instruments required by the Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the designated corporate trust office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, will have the right fully to inspect any and all of the property conveyed in the Indenture, including all books and records of the Issuer pertaining to the Project and the Bonds, and to make such copies and memoranda from and with regard thereto as may be desired.

(j) The Trustee will not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in the Indenture with respect to the authentication of any Bonds, the withdrawal of any cash, the release of any property or any action whatsoever within the purview of the Indenture, the Trustee will have the right, but will not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms of the Indenture required as a condition of such action, deemed desirable by the Trustee for the purpose of establishing the right of the Issuer or the Borrower to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

(l) Before taking the action at the request or direction of Bondholders as provided in the Indenture (except with respect to giving notice of the acceleration of the Bonds and payment of the Bonds upon receiving funds in connection with such acceleration), the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

(m) All moneys received by the Trustee will, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law.

(n) Notwithstanding the effective date of the Indenture or anything to the contrary in the Indenture, the Trustee will have no liability or responsibility for any act or event relating to the Indenture

which occurs prior to the date the Trustee formally executes the Indenture and commences acting as Trustee under the Indenture.

(o) No provision of the Indenture will be deemed to require the Trustee to advance, expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of its rights or powers, if the Trustee will have reasonable grounds for believing that repayment of such funds or, in the alternative, indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

(p) The Trustee has no obligation or liability to the Bondholders for the payment of interest on or principal of the Bonds, but rather the Trustee's sole obligations are to administer, for the benefit of the Issuer, the Borrower and the Bondholders, the various funds established under the Indenture.

(q) In the event the Trustee will receive inconsistent or conflicting requests and indemnity from two or more groups of Bondholders, each representing less than a majority of the aggregate principal amount of the Bonds then Outstanding, the Trustee will comply with the request of the group holding the largest percentage in aggregate principal amount of the Bonds.

(r) Except for information provided by the Trustee concerning the Trustee, the Trustee will have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or other disclosure material prepared or distributed with respect to the Bonds, and the Trustee will have no responsibility for compliance with any state or federal securities laws in connection with issuance of the Bonds.

(s) The Trustee agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the Borrower and/or the Issuer will provide to the Trustee an incumbency certificate listing persons as may be designated and authorized to sign for the Borrower or the Issuer or in the name of the Borrower or the Issuer, which incumbency certificate will be amended whenever a person is to be added or deleted from the listing. If the Borrower or the Issuer elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding that such instructions conflict or are inconsistent with a subsequent written instruction. The Borrower and the Issuer agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(t) The Trustee's immunities and protections from liability, and its right to payment of compensation and indemnification in connection with performance of its duties and obligations under the Indenture and the Agreement, will survive the Trustee's resignation or removal or the final payment of the Bonds.

(u) In acting or omitting to act pursuant to the provisions of the Agreement, the Trustee will be entitled to all of the rights, protections and immunities accorded to the Trustee under the terms of the Indenture, including, but not limited to, those set out in the provisions of the Indenture relating to "Trustee."

Fees, Charges and Expenses of Trustee. The Trustee and any Paying Agent will be entitled to payment and reimbursement by the Borrower for reasonable fees for their respective services rendered under the Indenture and all advances, counsel fees and expenses and other expenses reasonably made or incurred by the Trustee or the Paying Agent in connection with such services. Upon an Event of Default, but only upon and during the continuance of an Event of Default, the Trustee will have a first lien with right of payment prior to payment on account of principal of and interest on any Bond upon the Trust Estate for the foregoing fees, charges and expenses incurred by the Trustee. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and

the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Notice to Bondholders if Default Occurs. If a Default occurs of which the Trustee has been notified as provided in the provisions of the Indenture relating to “Supplemental Indentures Not Requiring Consent of Bondholders” to facilitate the use of the Book Entry System, or of which by said subsection it is deemed to have notice, then the Trustee will promptly give written notice thereof by first-class postage prepaid mail to the owner of each Bond shown by the list of Bondholders required by the terms of the Indenture to be kept at the corporate trust office of the Trustee, provided that except in the case of a default in the payment of the principal of or interest on any Bond, the Trustee will be protected in withholding such notice if and so long as it determines in good faith that the withholding of such notice is in the interest of the Holders.

Intervention by Trustee. In any judicial proceeding which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of owners of the Bonds, the Trustee may intervene on behalf of Bondholders and will do so if requested in writing by the owners of at least 25% of the aggregate principal amount of Outstanding Bonds

Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, will be and become successor Trustee under the Indenture and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding.

Resignation by Trustee. The Trustee and any successor Trustee may at any time resign from the trusts created by giving 30 days’ written notice by registered or certified mail to the Issuer, to the Borrower and to the owner of each Bond as shown by the list of Bondholders required by the Indenture to be kept by the Trustee, and such resignation will not take effect until the appointment of a successor Trustee by the Bondholders or by the Issuer, as provided by the Indenture.

Removal of Trustee. The Trustee may be removed at any time by written notification of the Issuer delivered to the Trustee or by an instrument or concurrent instruments in writing delivered to the Trustee and to the Issuer and signed by (a) the owners of a majority in aggregate principal amount of Outstanding Bonds or (b) the Borrower, so long as there will not have occurred and be continuing an Event of Default under the Agreement or any event which, with the passage of time or giving of notice or both, would become an Event of Default under the Agreement; provided that the removal of the Trustee will not take effect until the appointment of a successor Trustee by the Bondholders or by the Issuer, as provided by the Indenture.

Appointment of Successor Trustee by Bondholders. In case the Trustee under the Indenture will resign or be removed, or be dissolved, or will be in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or in case it will be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Issuer or by the owners of a majority in aggregate principal amount of Outstanding Bonds by an instrument or concurrent instruments in writing signed by such owners, or by their duly authorized attorneys in fact, a copy of which will be delivered personally or sent by certified mail to the Issuer, or the retiring Trustee may petition a court of competent jurisdiction for the appointment of a successor. In case of any such vacancy, the Issuer at the direction of the Borrower, by an instrument executed, attested and sealed by its officials, may appoint a temporary successor Trustee to fill such vacancy until a successor Trustee will be appointed by the Bondholders in the manner above provided; and such temporary trustee so appointed by the Issuer will immediately and without further act be superseded by the Trustee appointed by the Bondholders. In the event the Bondholders do not appoint a successor Trustee within six months of the date of the appointment of the temporary successor Trustee, the temporary successor Trustee will be the successor Trustee, subject to the rights of the Bondholders pursuant to the Indenture. Every such Trustee appointed pursuant to the provisions of this section will be a trust company or bank in good standing having, or will be a member bank of a holding company having, a reported capital and surplus of not less than \$50,000,000 and will not be unsatisfactory to the Borrower if the Borrower is not

then in Default under the Agreement if there be such an institution willing, qualified and able to accept the trust upon customary terms.

Acceptance by Any Successor Trustee. Every successor Trustee appointed under the Indenture will execute, acknowledge and deliver to its or his predecessor and also to the Issuer and the Borrower an instrument in writing accepting such appointment under the Indenture, and thereupon such successor, without any further act, deed or conveyance, will become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor will, nevertheless, on the written request of the Issuer, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor under the Indenture; and every predecessor Trustee will deliver all securities and moneys held by it as Trustee under the Indenture to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties vested or intended to be vested in the predecessor, any and all such instruments in writing will, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor under the Indenture, together with all other instruments provided for in the provisions of the Indenture relating to "Trustee," will be filed or recorded by the successor Trustee in each recording office where the Indenture will have been filed or recorded.

Appointment of Co-Trustee. It is the purpose of the Indenture that there will be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under the Indenture or the Agreement, and in particular in case of the enforcement of either in the event of a Default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies granted in the Indenture to the Trustee or hold title to the properties, in trust, as granted in the Indenture, or take any other action which may be desirable or necessary in connection therewith, the Trustee may appoint an additional individual or institution as a separate or co-Trustee, in which event each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto will be exercisable by and vest in such separate or co-Trustee, but only to the extent necessary to enable such separate or co-Trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-Trustee will run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the Issuer be required by the separate or co-Trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing will, on request, be executed, acknowledged and delivered by the Issuer. In case any separate or co-Trustee, or a successor to either, will die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate or co-Trustee, so far as permitted by law, will vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate or co-Trustee.

Security Agreement. The Trustee acknowledges that the Security Agreement is part of the Trust Estate assigned to the Trustee and that the Trustee may be required (upon request of the holders of a majority in aggregate principal amount of the Bonds and after being indemnified to its satisfaction), and subject to the Intercreditor Agreement, to take certain actions under the Security Agreement, including but not limited to enforcement of remedies, to protect the interests of the Bondholders.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Bondholders. The Issuer and the Trustee may, without consent of, or notice to, any of the Bondholders, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Indenture;

- (b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;
- (c) To subject to the Indenture additional revenues, properties or collateral;
- (d) To modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America;
- (e) To evidence the appointment of a separate or co-Trustee or the succession of a new Trustee under the Indenture;
- (f) To add provisions for the purchase in lieu of redemption of the Bonds and to make any other changes in connection therewith, including to provide for one or more interest rate or interest period determination methods;
- (g) To preserve the tax-exempt status of the Bonds;
- (h) To facilitate the use of the Book Entry System; or
- (i) To make any change which is not to the material prejudice of the Bondholders or the Borrower, as evidenced by the opinion of counsel delivered to the Trustee under the last paragraph of the provisions of the Indenture relating to "Supplemental Indentures Requiring Consent of Bondholders."

Supplemental Indentures Requiring Consent of Bondholders. Exclusive of supplemental indentures permitted by the provisions of the Indenture relating to "Amendments to Agreement or Lease Not Requiring Consent of Bondholders" and subject to the terms and provisions contained in this section, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds and, at any time that the Letter of Credit remains outstanding, the Letter of Credit Provider, will have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental to the Indenture as will be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in this section or in the provisions of the Indenture relating to "Supplemental Indentures Not Requiring Consent of Bondholders" contained will permit, or be construed as permitting, without the consent of the holder of each Outstanding Bond affected thereby, (a) an extension of the maturity of the principal of, or the interest on, any Bond issued under the Indenture, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures or any modifications or waiver of the provisions of the Agreement, or (e) the deprivation of the holder of any Outstanding Bond of the lien created on the Trust Estate.

If at any time the Issuer will request the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given by registered or certified mail to the owner of each Bond shown by the list of Bondholders required by the terms of the Indenture to be kept at the designated corporate trust office of the Trustee and to the Servicer on behalf of the Letter of Credit Provider. Any notice mailed as provided in this section will be conclusively presumed to have been duly given, whether or not the Registered Owner receives the notice. Such notice will briefly set forth the nature of the proposed supplemental indenture and will state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as will be prescribed by the Issuer at the written direction of the Borrower following such notices, the holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such supplemental indenture will have consented to and approved the execution thereof as provided in the Indenture, no holder of any Bond will have any right to object to any of the terms

and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this section permitted and provided, the Indenture will be and be deemed to be modified and amended in accordance therewith.

Anything in the Indenture to the contrary notwithstanding, a supplemental indenture under the provisions of the Indenture relating to “Supplemental Indentures” will not become effective unless and until a Borrower Representative on behalf of the Borrower will have consented to the execution and delivery of such supplemental indenture. In this regard, unless the Borrower Representative otherwise consents on behalf of the Borrower, the Trustee will cause notice of the proposed execution of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed by certified or registered mail to the Borrower at least 15 Business Days prior to the proposed date of execution and delivery of any such supplemental indenture.

The Trustee will be entitled to receive, and will be fully protected in relying upon, an opinion of Bond Counsel to the effect that (i) the execution of any amendment or supplement authorized pursuant to the provisions of the Indenture relating to “Supplemental Indentures” is authorized or permitted by the Indenture and (ii) that the execution and delivery of the amendment or supplement will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Subject to the preceding sentence, the Trustee will sign such amendment or supplement if the same does not adversely affect the rights, protections, immunities, indemnities, duties or obligations of the Trustee. The Trustee may, but will not be obligated to, execute any such amendment or supplement which affects the Trustee’s own rights, duties, protections, indemnities, obligations or immunities under the Indenture or otherwise.

Amendment of Agreement

Amendments to Agreement or Lease Not Requiring Consent of Bondholders. The Issuer and the Trustee will without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Agreement or the Lease as may be required (i) by the provisions of the Agreement, the Lease and the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission in the Agreement or the Lease, (iii) so as to more precisely identify the Project or to substitute or add additional improvements or equipment to the Project or additional rights or interests in property acquired in accordance with the provisions of the Agreement or the Lease, (iv) to enter into an indenture or indentures supplemental to the Indenture as provided in this section, or (v) in connection with any other change therein which, in the judgment of the Trustee, is not to the material prejudice of the Bondholders, as evidenced by the opinion of counsel delivered to the Trustee pursuant to the last paragraph of the provisions of the Indenture relating to “Amendments to Agreement Requiring Consent of Bondholders.”

Amendments to Agreement Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in the provisions of the Indenture relating to “Amendments to Agreement or Lease Not Requiring Consent of Bondholders,” neither the Issuer nor the Trustee will consent to any other amendment, change or modification of the Agreement and without mailing of notice and the written approval or consent of the holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given as provided in the Indenture, provided that the consent of the holder of each Outstanding Bond affected thereby is required for any amendment, change or modification of the Agreement that would permit the termination or cancellation of the Agreement or a reduction in or postponement of the payments under the Agreement or any change in the provisions relating to the payment thereunder. If at any time the Issuer and the Borrower will request the consent of the Trustee to any such proposed amendment, change or modification of the Agreement, the Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by this section with respect to supplemental indentures. Such notice will briefly set forth the nature of such proposed amendment, change or modification and will state that copies of the instrument embodying the same are on file at the designated corporate trust office of the Trustee for inspection by all Bondholders.

The Trustee will be entitled to receive, and will be fully protected in relying upon, an opinion of counsel stating that the execution of any amendment, change or modification authorized pursuant to the provisions of the Indenture relating to “Amendment of Agreement” (i) is authorized or permitted by the Indenture and (ii) will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Subject to the preceding sentence, the Trustee will consent to such amendment or supplement if the same does not

adversely affect the rights, duties, obligations, protections, immunities or indemnities of the Trustee. The Trustee may, but will not be obligated to, consent to any such amendment or supplement which affects the Trustee's own rights, duties, obligations, protections, indemnities or immunities under the Agreement, the Indenture or otherwise.

No Supplemental Indentures. The Indenture will not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of the provisions of the Indenture relating to "Supplemental Indentures". No Supplemental Indenture will change or modify any of the rights or obligations of the Trustee without its written assent thereto; provided, however, this section will not affect the rights of the Owners or the Issuer to remove the Trustee as provided in the provisions of the Indenture relating to "Removal of Trustee."

Miscellaneous

Consents of Bondholders. Any consent, request, direction, approval, waiver, objection or other instrument required by the Indenture to be signed and executed by the Bondholder may be in any number of concurrent documents and may be executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, waiver, objection or other instrument or of the written appointment of any such agent or of the ownership of Bonds, if made in the following manner, will be sufficient for any of the purposes of the Indenture, and will be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(b) The fact of ownership of the Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date, of holding the same will be proved by the registration books of the Issuer maintained by the Registrar pursuant to the Indenture.

For all purposes of the Indenture and of the proceedings for the enforcement of the Indenture, such person will be deemed to continue to be the holder of such Bond until the Trustee will have received notice in writing to the contrary.

In determining whether the holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, approval, notice, consent or waiver under the Indenture, Bonds owned by the Borrower or any affiliate of the Borrower will be disregarded and deemed not to be Outstanding under the Indenture, except that in determining whether the Trustee will be protected in relying upon any such request, demand, authorization, direction, approval, notice, consent or waiver, only Bonds which the Trustee actually knows to be so owned will be so disregarded unless all Bonds are so owned, in which case such Bonds will not be disregarded. For purposes of this paragraph (a) an "affiliate" means any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Borrower; and for the purpose of this definition, (b) "control" means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, Bonds so owned which have been pledged in good faith will not be disregarded as aforesaid if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Borrower or any affiliate of the Borrower. Any consent, direction, approval or waiver given by the holder of a Bond will be conclusive and binding upon such holder and upon all future holders of such Bond and of any Bond issued in replacement thereof, whether or not notation of such consent or waiver is made upon such Bond.

Limitation of Rights. With the exception of any rights in the Indenture expressly conferred, nothing expressed or mentioned in or to be implied from the Indenture or the Bonds is intended or will be construed to give to any person or company other than the parties to the Indenture, the Borrower and the holders of the Bonds any legal or equitable right, remedy or claim under or with respect to the Indenture or any covenants, conditions and provisions contained in the Indenture, the Indenture and all of the covenants, conditions and provisions of the Indenture being intended to be and being for the sole and exclusive benefit of such parties and the holders of the Bonds as provided in the Indenture.

No Personal Liability of Issuer or Trustee. No covenant or agreement contained in the Bonds or in the Indenture or any other document or instrument executed in connection with the Bonds, or any other instrument or document supplemental thereto or to the Indenture, will be deemed to be the covenant or agreement of any official, officer, agent, director, member or employee of the Issuer or the Trustee in his individual capacity, and neither the members of the Issuer nor any official of the Trustee executing the Bonds will be liable personally on the Bonds or any other document or instrument executed in connection with the Bonds, or any other instrument or document supplemental thereto or to the Indenture, be subject to any personal liability or accountability by reason of the issuance thereof. No recourse will be had for the payment of the principal of and interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in the Indenture or the Agreement or any other document or instrument executed in connection with the Bonds, or any other instrument or document supplemental thereto or to the Indenture against any past, present or future member, officer, agent, director or employee of the Issuer or the Trustee, or any incorporator, member, officer, employee, director or trustee of any successor corporation, as such, either directly or through the Issuer or the Trustee or any successor corporation, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such incorporator, member, officer, employee, director, agent or trustee as such is expressly waived and released as a condition of and consideration for the execution of the Indenture or the Agreement and the issuance of the Bonds.

Non-Liability of Issuer. No recourse under or upon any obligation, covenant, warranty or agreement contained in the Indenture or in the Bonds, or under any judgment obtained against the Issuer, or the enforcement of any assessment, or any legal or equitable proceedings by virtue of any constitution or statute or otherwise, or under any circumstances under or independent of the Indenture, will be had against officers, agents, employees or attorney of the Issuer, as such, past, present or future of the Issuer, either directly or through the Issuer or otherwise, for the payment for or to the Issuer or any receiver of the Issuer, or for or to the owners of the Bonds, or otherwise, of any sum that may be due and unpaid by the Issuer or its Board of Directors upon the Bonds. Any and all personal liability of every nature whether at common law or in equity or by statute or by constitution or otherwise of any such officer, agent, employee or attorney, as such, past, present or future of the Issuer by reason of any act or omission on his or her part or otherwise, for the payment for or to the owners of the Bonds or otherwise of any sum that may remain due and unpaid upon the Bonds secured by the Indenture or any of them is, by the acceptance of the Bonds, expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of the Bonds. Anything in the Indenture to the contrary notwithstanding, it is expressly understood by the parties to the Indenture that (a) the Issuer may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee or any Bondholder as to the existence of any fact or state of affairs, (b) the Issuer will not be under any obligation under the Indenture to perform any recordkeeping or to provide any legal services, it being understood that such services will be performed or caused to be performed by the Trustee or by any Bondholder and (c) none of the provisions of the Indenture will require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under the Indenture, unless it will first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action. No recourse for the payment of any part of the principal of, premium, if any, or interest on the Bonds or for the satisfaction of any liability arising from, founded upon or existing by reason of the issuance, purchase or ownership of the Bonds will be had against the any officer, member, agent, employee or attorney of the Issuer, as such, all such liability being expressly released and waived as a condition of and as a part of the consideration for the execution of the Indenture and the issuance of the Bonds. No covenant, stipulation, obligation or agreement of the Issuer contained in the Indenture will be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer. No officer, agent, employee or attorney of the Issuer will be individually or personally liable for the payment of the principal or redemption price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds.

All covenants, stipulations, obligations and agreements of the Issuer contained in the Indenture are and will be deemed to be covenants, stipulations, obligations and agreements of the Issuer to the full extent authorized by the Act and permitted by the Constitution of the State.

Governing Law; Venue. The Indenture will be construed in accordance with and governed by the laws of the State of California applicable to contracts made and performed in the State of California. The Indenture will be enforceable in the State of California, and any action arising under the Indenture will (unless waived by the Issuer in writing) be filed and maintained in a state court located in the County of Sacramento, California.

Recycling Transactions. Notwithstanding any provision of the Indenture or the Bonds to the contrary, the Issuer will be permitted to direct Note prepayments to be transferred to a custodian or trustee selected by the Issuer, in lieu of application to redeem a like portion of the Bonds, so long as the Issuer simultaneously causes other funds to be applied to redeem such portion of the Bonds. The preceding provisions will apply only for purposes of preserving or “recycling” private activity bond volume cap in accordance with Section 146(i)(6) of the Code.

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement which are not described elsewhere in the Official Statement. This summary does not purport to be comprehensive, and reference should be made to the Loan Agreement for a full and complete statement of its provisions.

Loan Proceeds To Borrower; Loan Provisions; Provisions Relating To The Project

Loan of Proceeds. The Issuer agrees, upon the terms and conditions contained in the Agreement, including but not limited to execution and delivery of the Security Agreement, to lend to the Borrower the proceeds received by the Issuer from the sale of the Bonds. The Issuer will cause such proceeds to be disbursed as provided in the Indenture.

Amounts Payable. The Borrower agrees to repay the loan in amounts necessary to make all payments due and owing on the Bonds. The Borrower will cause all Rent Payments to be deposited into the Revenue Fund held by the Trustee under the Indenture, at such time and in such amounts so as to enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or upon redemption or acceleration or otherwise), and interest on the Bonds as provided in the Indenture. Such payments will be made in immediately available funds.

It is understood and agreed that all payments payable under this section by the Borrower are assigned by the Issuer to the Trustee for the benefit of the holders of the Bonds.

Additional Amounts. In addition to the loan repayments pursuant to “Amounts Payable” above, the Borrower agrees to pay the following amounts as set forth below:

(a) All taxes and assessments of any type or character charged to the Issuer or to the Trustee affecting the amount available to the Issuer or the Trustee from payments to be received under the Agreement or in any way arising due to the transactions contemplated by the Agreement (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the Borrower will have the right to protest any such taxes or assessments and to require the Issuer or the Trustee, at the Borrower’s expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower will have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Issuer or the Trustee;

(b) The Trustee Fee and all reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture, as and when the same become due and payable;

(c) The Issuer Fee and the reasonable fees and expenses of the Issuer or any agent or attorney selected by the Issuer to act on its behalf in connection with the Agreement, the Bonds or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation, inquiry or other proceeding which may at any time be instituted involving the Agreement, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the Agreement or the Indenture;

(d) The Rebate Analyst Fee, and if a deposit is required to be made to the Rebate Fund as a result of any calculation made pursuant to the Indenture, the amount of such deposit, which will be deposited in the Rebate Fund not later than the tenth day of the calendar month immediately following the date on which such calculation was made pursuant to the Indenture;

(e) The Dissemination Agent Fee and all reasonable fees, charges and expenses of the Dissemination Agent for services rendered pursuant to any continuing disclosure document, as and when the same become due and payable;

(f) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Issuer or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Agreement or the Indenture;

(g) All other amounts required to construct the Project; and

(h) All other amounts required to be paid to provide sufficient funds for the deposits and transfers required to be made pursuant to the Indenture.

Obligations of Borrower Under the Agreement Unconditional. The obligations of the Borrower to make the payments required in the “Amounts Payable” provisions of the Agreement and other sections of the Agreement and to perform and observe the other agreements contained in the Agreement will be absolute and unconditional and will not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach by the Issuer or the Trustee of any obligation to the Borrower, whether under the Agreement or otherwise, or out of any indebtedness or liability at any time owing to the Borrower by the Issuer or the Trustee, and until such time as the principal of and interest on the Bonds will have been fully paid or provision for the payment thereof will have been made in accordance with the Indenture, the Borrower (a) will not suspend or discontinue any payments provided for in the “Amounts Payable” provisions of the Agreement, and (b) except as provided in the “Miscellaneous” provisions of the Agreement, will not terminate the Term of Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or construction, eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Issuer or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement. Nothing contained in this section will be construed to release the Issuer from the performance of any of the agreements of its part contained in the Agreement, and in the event the Issuer or the Trustee should fail to perform any such agreement on its part, the Borrower may institute such action against the Issuer or the Trustee as it may deem necessary to compel performance so long as such action does not abrogate its obligations contained in the first sentence of this section. The Borrower may, however, at its own cost and expense and in its own name or in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which it deems reasonably necessary in order to secure or protect its right of possession, occupancy and use under the Agreement, and in such event the Issuer agrees to cooperate fully with it and to take all action necessary to effect the substitution of the Borrower for the Issuer in any such action or proceeding if the Borrower will so request.

Maintenance and Modification of Project. The Borrower agrees that at all times during the term of Agreement, the Borrower will maintain, preserve and keep the Project or cause the Project to be maintained, preserved and kept in good repair, working order and condition and that the Borrower will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals deemed proper or necessary by it.

In addition, the Borrower will have the privilege of remodeling the Project or making substitutions, additions, modifications and improvements to the Project from time to time as the Borrower may deem to be desirable for its use for such purposes as will be permitted by the Act, the costs of which remodeling, substitutions, additions, modifications and improvements will be paid by or on behalf of the Borrower, and the same will be the property of the Borrower and be included as part of the Project.

Taxes and Governmental Charges. The Borrower will pay or cause to be paid, during the term of Agreement, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time

be lawfully assessed or levied against Borrower or with respect to the original issuance of the Bonds (but, for the avoidance of doubt, not including any income tax assessed against a Holder, except as may be expressly provided in the “Tax Covenants” provisions of the Agreement) or with respect to the payments by the Borrower under the “Amounts Payable” provisions of the Agreement. The Borrower may, at the Borrower’s expense and in the Borrower’s name, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom.

Non-Liability of Issuer. The Issuer will not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Rent Payments and other moneys and assets received by the Trustee pursuant to the Agreement and the Indenture. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Issuer is pledged to the payment of the principal (or redemption price) of or interest on the Bonds. The Issuer will not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under the Agreement or the Indenture.

The Borrower acknowledges that the Issuer’s sole source of moneys to repay the Bonds will be provided by the payments made by the Borrower to the Trustee pursuant to the Agreement, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and agrees that if the payments to be made under the Agreement will ever prove insufficient to pay all principal (or redemption price) of and interest on the Bonds as the same will become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Borrower will pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrower, the Issuer or any third party, subject to any right of reimbursement from the Trustee, the Issuer or any such third party, as the case may be, therefor.

Pledge and Assignment by Borrower. In fulfillment of its obligations under the Agreement, the Borrower has entered into the Security Agreement. The Borrower will assign all its right, title and interest in the Lease, including the Rent Payments (as defined in the Lease) to the Issuer.

Assignment of Agreement and Rent Payments. To secure the payment of Bonds, the Issuer will collaterally assign to the Trustee, by the Indenture, all its right, title and interest in and to the Agreement (except for the Issuer’s rights under the “Additional Amounts,” “Taxes and Governmental Charges,” “Release and Indemnification Covenants” and “Agreement to Pay Attorneys’ Fees and Expenses” provisions of the Agreement, and its rights to give consents and approvals under the Agreement), and the Lease. The Borrower agrees and consents to such assignment.

Special Covenants and Agreements

Insurance. (a) Following delivery of the Lease Delivery Notice, the Borrower will provide the following insurance coverages:

(i) Commercial general liability insurance with limits not less than One Million Dollars (\$1,000,000) combined single limit per occurrence and Two Million Dollars (\$2,000,000) annual aggregate limit for bodily injury and property damage, including coverage for contractual liability; personal injury; fire damage legal liability; advertisers’ liability; owners’ and contractors’ protective liability; products and completed operations; broad form property damage; and explosion, collapse and underground (XCU).

(ii) Umbrella Liability coverage in amount of not less than Ten Million Dollars (\$10,000,000).

(iii) Commercial Automobile Liability insurance, with limits not less than One Million Dollars (\$1,000,000) each occurrence, combined single limit for bodily injury and property damage, including owned, hired and non-owned auto coverage, as applicable.

(iv) Worker's Compensation Insurance with Employer's Liability limits not less than One Million Dollars (\$1,000,000) each accident, if applicable.

(v) Business automobile liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including owned and non-owned and hired vehicles, as applicable, if the Borrower uses automobiles in connection with its use of the Property.

(vi) Rental interruption insurance ("Rental Interruption Insurance") covering an abatement of the City's obligation to make the Rent Payments as a result of a loss, total or partial, covered by the Property Insurance impairing the Borrower's ability to operate its business at the Property in an amount equal to the annual Rent Payments for a period of at least one (1) year (for two (2) years if available on the open market from reputable insurance companies at a reasonable cost, as determined by the Borrower). Rental Interruption Insurance will name the Trustee as a beneficiary.

(vii) Licensed professionals (i.e., architects, engineers, certified public accountants, etc.) will provide professional liability insurance with limits not less than \$1,000,000 each claim with respect to negligent acts, errors, or omissions in connection with professional services to be provided to the Property.

(viii) (A) Property insurance, excluding earthquake and flood, in the amount no less than one hundred percent (100%) of the replacement value of all completed improvements and property in the care, custody and control of the Borrower or its contractor. For rehabilitation/construction projects that are unoccupied by residential or commercial tenants, tenants must obtain property insurance by the date that the project receives a certificate of substantial completion; and (B) boiler and machinery insurance, comprehensive form, covering damage to, loss or destruction of machinery and equipment located on the Development that is used by Borrower for heating, ventilating, air-conditioning, power generation and similar purposes, in an amount not less than one hundred percent (100%) of the actual replacement value of such machinery and equipment with a deductible not to exceed Twenty Five Thousand Dollars (\$25,000) each loss.

(ix) Other insurance as is generally required by commercial owners of buildings similar in size, character, age, and location as the Property, as may change from time to time, and insurance that is required pursuant to the Ground Lease.

(b) If any of the required insurance is provided under a claims-made form, the Borrower will maintain the coverage continuously, without lapse, for a period of three (3) years beyond the final maturity of the Bonds, to the effect that, if occurrences give rise to claims made after final maturity of the Bonds, those claims will be covered by the claims-made policies.

(c) If any of the required insurance is provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in the general annual aggregate limit, the general aggregate limit will be double the occurrence or claims limits specified above.

All liability insurance policies will be endorsed to provide the following:

(i) Name as additional insured the City and County of San Francisco, its officers, agents, and employees.

(ii) That the policies are primary insurance to any other insurance available to the additional insureds, and that insurance applies separately to each insured against whom claim is made or suit is brought.

(e) Each insurance policy required under subsection (a) above will be issued by an insurance company licensed in the State of California and with a general policyholders' rating of "A-" or better and a financial size ranking of "Class VIII" or higher in the most recent edition of Best's Insurance Guide.

All of the insurance coverage required by this section will otherwise conform to the requirements set forth in the Sublease.

Damage, Destruction, Condemnation or System Sale. If, as a result of fire or other casualty, the Project or any part thereof is damaged or destroyed, or the Project, or any part thereof, will be condemned or acquired for public use, subject to the provisions of the Intercreditor Agreement, the Borrower will, within 30 days after receiving actual notice of such damage, destruction, condemnation or sale and, after written notice to the Issuer and the Trustee, follow the course of action as set forth below:

If, in the reasonable opinion of the Borrower, the Project can be repaired or restored to substantially the same condition as it existed prior to the event causing such damage or destruction, and in a manner that is economical and can be completed prior to the expiration of any rental loss insurance, or the effect of the condemnation can be relieved so that the status of the Project will be restored to substantially the same status as it existed prior to the event causing such condemnation, without, in either case, jeopardizing repayment of the principal of and interest on the Bonds, all in accordance with the opinion of an expert or experts selected as referred to below, then the Borrower may so repair and restore the Project and the Borrower will deposit the net proceeds in the Extraordinary Event Proceeds Fund, and upon receipt of written instructions from the Borrower delivered in accordance with the "Extraordinary Event Proceeds Fund" provisions of the Indenture, the Trustee will apply the Casualty Proceeds to the payment or reimbursement of the costs of such repair or restoration as so instructed. The Borrower may rely on the advice of architects, engineers, accountants, financial consultants, attorneys or other experts reasonably selected by it in the foregoing matters, provided that no trapping event has occurred.

Any Casualty Proceeds in excess of the amount required to repair and restore the Project, will be deposited into the Bond Fund pursuant to the "Extraordinary Event Proceeds Fund" provisions of the Indenture and applied to the redemption of the Bonds in accordance with applicable redemption provisions of the Indenture.

Security Interest in Funds. To secure the payment of the principal of, premium, if any, and interest payable on the loan to the Borrower pursuant to the Agreement and the Issuer's obligations to Trustee under the Indenture, and the performance of all of the other covenants of the Borrower contained in the Agreement (other than the Borrower's obligations to the Issuer under the "Additional Amounts," "Taxes and Governmental Charges," "Release and Indemnification Covenants" and "Agreement to Pay Attorneys' Fees and Expenses" provisions of the Agreement), the Borrower has, through the Security Agreement, granted to the Trustee a security interest in the right, title and interest, if any, of the Borrower in any and all moneys, securities and other property from time to time on deposit in any fund or account established under the Indenture, together with all income thereon and proceeds thereof and all substitutions thereof and additions thereto; provided, however, that there is expressly excluded from the lien thereon amounts held by the Trustee to pay the amounts due under the "Additional Amounts," "Taxes and Governmental Charges," "Release and Indemnification Covenants" and "Agreement to Pay Attorneys' Fees and Expenses" provisions of the Agreement.

No Additional Indebtedness. The Borrower will not create, incur, assume, guarantee or be or remain liable, contingently or otherwise, with respect to any indebtedness other than:

(a) any subordinate loan provided by Homes for the Homeless Fund, LLC and current liabilities of the Borrower relating to the Project, incurred in the ordinary course of business but not incurred through (i) the borrowing of money, or (ii) the obtaining of credit except for credit on an open account basis customarily extended and in fact extended in connection with normal purchases of goods and services;

(b) indebtedness relating to the Project, in respect of taxes, assessments, governmental charges or levies and claims for labor, materials and supplies to the extent that payment therefor will not at the time be required to be made; and

- (c) reimbursement and other obligations in connection with the Letter of Credit.

Failure to Deliver Lease. If the Trustee does not receive a Lease Delivery Notice on or prior to the Lease Delivery Deadline, the Bonds will be subject to redemption pursuant to the applicable redemption provisions of the Indenture.

Assignment, Selling, Leasing, Indemnification and Redemption

Assignment, Selling, Leasing and Encumbering the Project. The Agreement may not be assigned by the Borrower, and no portion of the Project owned by the Borrower may be leased or sold, as a whole or in part, by the Borrower, except pursuant to the Lease; provided, however that such prohibition on a lease or sale of the Project does not prohibit the transfer of Borrower's limited partnership interest at the end of any applicable low-income housing tax credit compliance period to the Borrower's General Partner or its Affiliate. Except as otherwise expressly permitted by the Agreement, the Borrower covenants that the Project will, at all times, remain free and clear of all liens and encumbrances, except liens securing the Bonds and liens permitted under the Security Agreement and Intercreditor Agreement, including any subordinate loan provided to the Project by Homes for the Homeless Fund, LLC. Borrower will not incur any additional indebtedness secured or unsecured, direct or contingent.

Release and Indemnification Covenants.

(a) To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Issuer, the Trustee and each of their respective officers, governing members, directors, officials, employees, attorneys and agents (the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees and expenses, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bonds, the Indenture or the Agreement or the execution or amendment of the Agreement or thereof or in connection with transactions contemplated by the Agreement or thereby, including the issuance, sale or resale of the Bonds;

(ii) any act or omission of the Borrower or any of its agents, contractors, servants, employees, tenants or licensees in connection with the Project, the operation of the Project, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or any part thereof;

(iii) any lien or charge upon payments by the Borrower to the Issuer and the Trustee under the Agreement, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Issuer in respect of any portion of the Project;

(iv) any violation of any Environmental Regulations with respect to, or the release of any Hazardous Substances from, the Project or property on which the Project is located;

(v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering or disclosure document or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering or disclosure document or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein

in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(vii) any declaration of taxability of interest on the Bonds, or allegations (or regulatory inquiry) that interest on the Bonds is taxable for federal income tax purposes; and

(viii) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except to the extent such damages are caused by the willful misconduct of such Indemnified Party, or, in the case of the Trustee and each of their respective officers, governing members, directors, officials, employees, attorneys and agents, by the negligence of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought under the Agreement, the Borrower, upon written notice from the Indemnified Party, will assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and will assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party will have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party will have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower will pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation, the Borrower does not timely assume the defense of such Indemnified Party, or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

In addition, the Borrower will pay on demand all of the fees and expenses paid or incurred by the Trustee and/or the Issuer in enforcing the provisions of the Agreement.

(b) The rights of any persons to indemnity under the Agreement and rights to payment of fees and reimbursement of expenses pursuant to the "Loan of Proceeds," "Taxes and Governmental Charges," "Release and Indemnification Covenants" and "Remedies on Default" provisions of the Agreement will survive the final payment or defeasance of the Bonds and in the case of the Trustee any resignation or removal. The provisions of this section will survive the termination of the Agreement.

Installation of the Borrower's Own Machinery. The Borrower may from time to time, at its own expense, install or cause to be installed machinery, equipment and other tangible property in the Project.

Events of Default

Events of Default Defined. The following will be "Events of Default" under the Agreement and the terms "Event of Default" and "Default" will mean, whenever they are used in the Agreement, any one or more of the following events:

(a) Failure by the Borrower to pay the amounts required to be paid under the "Amounts Payable" provisions of the Agreement at the times specified therein.

(b) Failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) above, for a period of 90 days (60 days with respect to the requirements of the "Insurance" provisions of the Agreement) after written notice specifying such failure and requesting that it be remedied will have been given to the Borrower by the Issuer or the Trustee, unless the Issuer and the Trustee will agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Issuer and the Trustee, as applicable, will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and is being

diligently pursued until the Default is corrected, which correction must be made within 120 days of the Borrower's receipt of the initial default notice.

(c) The dissolution or liquidation of the Borrower, or the voluntary initiation by the Borrower of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Borrower of any such proceeding which will remain undismissed for 60 days, or failure by the Borrower to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Borrower to carry on its operations, or assignment by the Borrower for the benefit of creditors, or the entry by the Borrower into an agreement of composition with creditors or the admission by the Borrower in writing of its inability to pay its debts generally as they become due.

(d) An Event of Default under the Indenture.

The provisions of subsection (b) of this section are subject to the following limitation: if by reason of *force majeure* the Borrower is unable in whole or in part to carry out any of its agreements contained in the Agreement (other than its obligations contained in the "Amounts Payable" and "Additional Amounts" provisions of the Agreement), the Borrower will not be deemed in Default during the continuance of such inability. The term "*force majeure*" as used therein will mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or of any of their departments, agencies or officials, or of any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; and any other cause or event not reasonably within the control of the Borrower. The Borrower agrees, however, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out such agreement, provided that the settlement of strikes, lockouts and other industrial disturbances will be entirely within the discretion of the Borrower, and it will not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in its judgment unfavorable to it; also provided that the Borrower should take steps to remedy within 60 days of such event.

Remedies on Default. Whenever any Event of Default referred to in "Events of Default Defined" will have happened and be continuing, the Trustee (subject to the rights and protections under the Indenture) may take one or any combination of the following remedial steps:

(a) By written notice to the Borrower, declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity (as provided in the Indenture) or otherwise, to be immediately due and payable, whereupon the same will become immediately due and payable;

(b) Have reasonable access to and inspect, examine and make copies of the books and records of the Borrower relating to the Project; or

(c) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Agreement.

Any amounts collected pursuant to action taken under this section will be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

The Investor will be provided copies of any and all notices provided the Borrower. The Investor will have the right (but not the obligation) to tender cure on behalf of the Borrower.

No Remedy Exclusive. No remedy in the Agreement conferred upon or reserved to the Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy will be cumulative and will be in addition to every other remedy given under the Agreement or now or under the Agreement existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Default will impair any such right or power or will be construed to be a waiver thereof, but any such right or power may be exercised from time to time and

as often as may be deemed expedient. In order to entitle the Issuer to exercise any remedy reserved to it in the “Events of Default” provisions of the Agreement, it will not be necessary to give any notice, other than such notice as may be required in the “Events of Default” provisions of the Agreement. Such rights and remedies as are given the Issuer under the Agreement will also extend to the Trustee, and the Trustee and the holders of the Bonds, subject to the provisions of the Indenture, will be entitled to the benefit of all covenants and agreements contained in the Agreement.

Agreement To Pay Attorneys’ Fees and Expenses. In the event the Borrower should default under any of the provisions of the Agreement and the Issuer or Trustee should employ attorneys or reasonably incur other expenses for the collection of payments required under the Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower contained in the Agreement, the Borrower agrees that it will within 30 days after demand therefor pay to the Issuer or Trustee the reasonable fee of such attorneys and such other expenses so incurred by the Issuer or Trustee.

No Additional Waiver Implied by One Waiver. In the event any agreement contained in the Agreement should be breached by any party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach under the Agreement.

Miscellaneous

Amounts Remaining in Bond Fund. It is agreed by the parties to the Agreement that any amounts remaining in the Bond Fund and any other fund established pursuant to the Indenture, upon expiration or earlier termination of the Term of Agreement, as provided in the Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees and expenses of the Trustee and any Paying Agents in accordance with the Indenture, will belong to and be paid to the Borrower by the Trustee as the return of an overpayment of the amounts payable under the Agreement.

Governing Law; Venue. The Agreement will be construed in accordance with and governed by the laws of the State of California applicable to contracts made and performed in the State of California. The Agreement will be enforceable in the State of California, and any action arising under the Agreement will (unless waived by the Issuer in writing) be filed and maintained in a state court located in the County of Sacramento, California.

THE REGULATORY AGREEMENT

The following is a summary of certain provisions of the Regulatory Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Regulatory Agreement, copies of which are on file with the Issuer and the Trustee.

Qualified Residential Rental Project

The Owner acknowledges and agrees that the Project is to be owned, managed and operated as a “residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the term of the Regulatory Agreement, the Owner represents, covenants, warrants and agrees as follows:

(a) The Project will be acquired, rehabilitated, developed and operated for the purpose of providing multifamily residential rental property. The Owner will own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the Act and the Law, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project (except for not more than one units set aside for a resident manager or other administrative use) will be similarly constructed units, and each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single

person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range (which may be a countertop cooking range), refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of less than 30 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park; provided that the use of certain units for tenant guests on an intermittent basis will not be considered transient use for purposes of the Regulatory Agreement.

(d) No part of the Project will at any time during the Qualified Project Period be owned by a cooperative housing corporation, nor will the Owner take any steps in connection with a conversion to such ownership or use, and the Owner will not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period (except that the Owner may obtain final map approval and the Final Subdivision Public Report from the California Department of Real Estate and may file a condominium plan with the County).

(e) All of the Available Units in the Project (except for not more than two units set aside for a resident manager or other administrative use) will be available for rental during the period beginning on the Closing Date and ending on the termination of the Qualified Project Period on a continuous, "first-come, first-served" basis to members of the general public, and the Owner will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented in such a manner that they constitute Low Income Units or Very Low Income Units, or to the extent any HUD Section 8 contract restricts certain units based on age, or to the extent required by the Lease or Operating Subsidy Agreement (as defined in the Lease).

(f) The Project consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project will be occupied by the Owner; provided, however, that if the Project contains five or more dwelling units, this provision will not be construed to prohibit occupancy of not more than two dwelling units by a resident manager or maintenance personnel any of whom may be the Owner.

(h) The Owner will deliver to the Administrator and the Lender, (i) within 30 days after the date on which 10% of the dwelling units in the Project are occupied, a written notice specifying such date, and (ii) within 30 days after the date on which 50% of the dwelling units in the Project are occupied, a written notice specifying such date.

Low Income Tenants; Reporting Requirements

Pursuant to the requirements of the Code, the Owner represents, warrants and covenants as follows:

(a) During the Qualified Project Period, no less than 40% of the total number of completed units in the Project will at all times be Low Income Units. For the purposes of this paragraph (a), a vacant unit that was most recently a Low Income Unit is treated as a Low Income Unit until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit will be redetermined. Together with the affordability required by the Law, set forth in the Regulatory Agreement, the resulting occupancy requirements are that 30% of the total number of completed units in the Project will at all times be Low Income Units and 10% of the total number of completed units in the Project will at all times be Very Low Income Units.

(b) No tenant qualifying as a Low Income Tenant upon initial occupancy will be denied continued occupancy of a unit in the Project because, after admission, the aggregate Gross Income of all tenants in the unit occupied by such Low Income Tenant increases to exceed the qualifying limit for a Low Income Unit. However, should the aggregate Gross Income of tenants in a Low Income Unit, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Low Income Unit occupied by the same

number of tenants, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) Low Income Tenant(s). The unit occupied by such tenants whose aggregate Gross Income exceeds such applicable income limit will continue to be treated as a Low Income Unit for purposes of the 40% requirement of the Regulatory Agreement unless and until an Available Unit of comparable or smaller size is rented to persons other than Low Income Tenants.

(c) For the Qualified Project Period, the Owner will obtain from a third party provider an Income Certification for each Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Low Income Tenant in the unit, and (ii) thereafter, an annual Income Certification with respect to each Low Income Tenant on or about June 30th of each year. The Owner will also obtain and provide such additional information as may be required in the future by the Code, the State or the Agency, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax-Exempt obligations. Copies of Income Certifications for Low Income Tenants will be sent to the Agency, and will be retained in the Owner's files for a period of three (3) years and will be available for inspection by the Agency or its agents upon request.

On or before August 15th of each year, the Owner will file with the Agency a report on a form approved by the Agency specifying the total number of dwelling units in the Project and the number of units occupied by Low Income Tenants and Very Low Income Tenants as of June 30th of such year.

(d) The Owner will make a good faith effort to verify that the income information provided by an applicant in an Income Certification is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain pay stubs for the three most recent pay periods, (2) obtain an income tax return for the most recent tax year, (3) obtain a credit report or conduct a similar type of credit search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification reasonably acceptable to the Agency.

(e) The Owner will maintain complete and accurate records pertaining to the Low Income Units, and will permit any duly authorized representative of the Agency, the Trustee, the Program Monitor, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Owner pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units.

(f) The Owner will prepare and submit to the Program Monitor, on behalf of the Agency, not less than quarterly, commencing not less than three months after completion of construction, a Certificate of Continuing Program Compliance executed by the Owner in substantially the form attached as an exhibit to the Regulatory Agreement and a Program Report in substantially the form attached as an exhibit to the Regulatory Agreement; provided, if required by the Program Monitor, the Owner will submit such information in electronic form to such party as may be specified by the Program Monitor. During the Qualified Project Period, the Owner will submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project, to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

(g) For the Qualified Project Period, all tenant leases or rental agreements will be subordinate to the Regulatory Agreement. All leases pertaining to Low Income Units will contain clauses, among others, wherein each tenant who occupies a Low Income Unit: (i) certifies the accuracy of the statements made by such tenant in the Income Certification; (ii) agrees that the family income and other eligibility requirements will be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Owner, the Trustee, the Agency, or the Program Monitor on behalf of the Issuer, and that the failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto will be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Owner has relied on the statements made by such tenant in the Income Certification and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of a Low Income Unit, and that any material misstatement in such certification (whether or not intentional)

will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject to annual certification in accordance with the Regulatory Agreement and that if upon any such certification the aggregate Gross Income of tenants in such unit exceeds the applicable income limit under the Regulatory Agreement, the unit occupied by such tenant may cease to qualify as a Low Income Unit and such unit's rent may be subject to increase.

Requirements of the Law

In addition to the other requirements set forth therein, the Owner agrees that it will comply with each of the requirements of Section 51335 of the California Health and Safety Code, including the following:

(a) Not less than 20% of the total number of units in the Project will be for occupancy on a priority basis by "lower income households," as defined by Section 51335 of the California Health and Safety Code, and not less than one-half of such minimum restricted units (i.e., 10% of the total number of units in the Project) will be for occupancy on a priority basis for Very Low Income Tenants.

(b) The units made available to meet the requirement of paragraph (a) will be of comparable quality and offer a range of sizes and numbers of bedrooms comparable to the units that are available to other tenants in the Project.

(c) The monthly Rental Payments for the Low Income Units and the Very Low Income Units paid by the tenants thereof (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) will not exceed one twelfth (1/12th) of thirty percent (30%) of sixty percent (60%) or of fifty percent (50%) of area median income, respectively, as published by the Department of Housing and Community Development or the U.S. Department of Housing and Urban Development.

(d) If the Owner elects to establish a base rent for all or part of the units for lower income households and the Low Income Units and the Very Low Income Units, the base rents will be adjusted for household size.

(e) The Owner will accept as tenants, on the same basis as all other prospective tenants, persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under HUD Section 8. The Owner will not permit any selection criteria to be applied to HUD Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(f) The units reserved for occupancy as required by the Regulatory Agreement will remain available on a priority basis for occupancy at all times on and after the Closing Date and continuing through the Qualified Project Period.

(g) Except as otherwise set forth in the Regulatory Agreement, the covenants and conditions of the Regulatory Agreement will be binding upon successors in interest of the Owner.

(h) The Regulatory Agreement will be recorded in the office of the County recorder, and will be recorded in the grantor-grantee index under the name of the Owner as grantor and under the name of the Agency as grantee.

Requirements of the Agency

In addition to other requirements set forth in the Regulatory Agreement and to the extent not prohibited by the requirements set forth in the Regulatory Agreement, the Owner agrees to comply with each of the requirements of the Agency set forth in this section, as follows:

(a) For the duration of the Qualified Project Period, notwithstanding any retirement of the Bonds or termination of the Agreement, the Owner will pay to the Agency all of the amounts required to be paid by the Owner under the Agreement and will indemnify the Agency and the Trustee as provided in the Regulatory Agreement.

(b) All tenant lists, applications and waiting lists relating to the Project will at all times be kept separate and identifiable from any other business of the Owner and will be maintained as required by the Agency, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Agency or the Program Monitor upon reasonable advance notice to the Owner.

(c) The Owner acknowledges that the Agency has appointed the Program Monitor to administer the Regulatory Agreement and to monitor performance by the Owner of the terms, provisions and requirements thereof. The Owner will comply with any reasonable request made by the Program Monitor or the Agency to deliver to any such Program Monitor, in addition to or instead of the Agency, any reports, notices or other documents required to be delivered pursuant thereto, and to make the Project and the books and records with respect thereto available for inspection by the Program Monitor as an agent of the Agency. The fees and expenses of the Program Monitor will be paid by the Agency.

(d) Unless otherwise approved by the Agency, rental charges to tenants of units for lower income households, Low Income Units and Very Low Income Units will include all utilities except telephone and cable television; provided however, that where the Agency approves direct payment of utilities (in addition to telephone) by such tenants, such rental charges will be calculated as if the estimated expense of such utilities were to be paid by the Owner, but the amounts actually collected from such tenants will be decreased by the estimated expense of such utilities approved by the Agency.

(e) No later than January 31 of each calendar year (commencing January 31, 2021), the Owner, on behalf of the Agency, agrees to provide to the California Debt and Investment Advisory Commission, by any method approved by the California Debt and Investment Advisory Commission, with a copy to the Agency, the annual report information required by Section 8855(k)(1) of the California Government Code. This covenant will remain in effect until the later of the date (i) the Bonds are no longer outstanding or (ii) the proceeds of the Bonds have been fully spent.

(f) *Non-Discrimination and Equal Opportunity.* The Owner will not unlawfully discriminate with respect to occupancy of the Project because of a person's race, sex, sexual orientation, marital status, familial status, age (except for senior citizen housing pursuant to California and federal law), color, religion, disability, source of income, national origin, ancestry, or any other characteristic listed or defined in Section 12955 of the California Government Code or Section 51 of the California Civil Code as such section applies to housing accommodations, or any other basis prohibited by applicable state or federal law. The Owner will require that its officers, agents, employees, management agent, contractors, subcontractors, and employees associated with the Project provide equal opportunity for employment and that they will not engage in any unlawful discriminatory conduct. In addition, the Owner agrees to conduct its own affirmative marketing programs as approved by the Agency.

(g) *Low Income Unit and Very Low Income Unit Rental Limits Increase Procedure.*

(i) The Agency will, from time to time, revise the maximum rental limits applicable to dwelling units reserved for Low Income Tenants and Very Low Income Tenants by a percentage equal to any percentage change in the County median income. Until such time as the Agency mails a notice of such change of rent limits to the Owner, (or such change is posted on the Agency's website), the previously existing charges will apply.

(ii) Upon receipt of new rental limit schedules, the Owner may increase, and will, if necessary, decrease the rental charges. Any increase in rental charges must comply with the terms of the lease as to the time and manner of such changes, provided that no Low Income Tenant or Very Low Income Tenant will have a rent increase sooner than one (1) year after initial occupancy. Owner will provide no less than six (6) months notice to Low Income Tenants and Very Low Income Tenants prior to any increase in rental charges of 5% or more.

(h) Low Income Units and Very Low Income Units which are assisted by HUD Section 8 assistance will be rented at approved HUD Section 8 rents.

Any of the foregoing requirements of the Agency contained in this section may be expressly waived by the Agency, in its sole discretion, in writing, but (i) no waiver by the Agency of any requirement of this section will, or

will be deemed to, extend to or affect any other provision of the Regulatory Agreement except to the extent the Agency has received an opinion of Bond Counsel that any such provision is not required by the Act and the Law and may be waived without adversely affecting the exclusion from gross income of interest on the Bonds for federal income tax purposes; and (ii) any requirement of this section will be void and of no force and effect if the Agency and the Trustee receive a written opinion of Bond Counsel, with copies delivered to the Owner, to the effect that compliance with any such requirement would cause interest on the Bonds to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act, the Law or any other state or federal law.

Transfer of the Project

For the Qualified Project Period, the Owner will not Transfer the Project, in whole or in part, without the prior written consent of the Agency, which consent will not be unreasonably withheld or delayed if the following conditions are satisfied: (A) the receipt by the Agency of evidence acceptable to the Issuer that (1) the Owner will not be in default under the Regulatory Agreement or under the Agreement, if in effect (which may be evidenced by a Certificate of Continuing Program Compliance), or the transferee undertakes to cure any defaults of the Owner to the reasonable satisfaction of the Agency; (2) the continued operation of the Project will comply with the provisions of the Regulatory Agreement; (3) either (a) the transferee or its manager has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the transferee agrees to retain a manager with the experience and record described in subclause (a) above, or (c) the transferring Owner or its management company will continue to manage the Project, or another management company reasonably acceptable to the Agency will manage, for at least one year following such Transfer and, if applicable, during such period the transferring Owner or its management company will provide training to the transferee and its manager in the responsibilities relating to the Low Income Units and the Very Low Income Units; and (4) the person or entity that is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the transferee of any document reasonably requested by the Agency with respect to the assumption of the Owner's obligations under the Regulatory Agreement and the Agreement (if then in effect), including without limitation an instrument of assumption of the Regulatory Agreement and thereof, and delivery to the Agency of an opinion of such transferee's counsel to the effect that each such document and the Regulatory Agreement are valid, binding and enforceable obligations of such transferee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Agency and the Trustee of an opinion of Bond Counsel to the effect that any such Transfer will not adversely affect the Tax-Exempt status of interest on the Bonds; (D) receipt by the Agency of all fees and/or expenses then currently due and payable to the Agency by the Owner (E) receipt by the Agency of evidence of satisfaction of compliance with the provisions of the Regulatory Agreement related to notice to CDLAC of transfer of the Project.

It is expressly stipulated and agreed that any Transfer of the Project in violation of this section will be null, void and without effect, will cause a reversion of title to the Owner, and will be ineffective to relieve the Owner of its obligations under the Regulatory Agreement. The written consent of the Agency to any Transfer of the Project will constitute conclusive evidence that the Transfer is not in violation of this section. Nothing in this section will affect any provision of any other document or instrument between the Owner and any other party requires the Owner to satisfy certain conditions or obtain the prior written consent of such other party to Transfer the Project. Upon any Transfer that complies with the Regulatory Agreement, the Owner will be fully released from its obligations under the Regulatory Agreement to the extent such obligations have been fully assumed in writing by the transferee of the Project.

For the Qualified Project Period, the Owner will not: (1) encumber any of the Project or grant commercial leases of any part thereof (other than laundry, cable or other utility leases), or permit the conveyance, transfer or encumbrance of any part of the Project, except for (A) permitted encumbrances, or (B) a Transfer in accordance with the terms of the Regulatory Agreement, in each case upon receipt by the Agency and the Trustee of an opinion of Bond Counsel to the effect that such action will not adversely affect the Tax-Exempt status of interest on the Bonds (provided that such opinion will not be required with respect to any encumbrance, lease or transfer relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of

multifamily housing developments similar to the Project); (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except to the extent that what is demolished or removed is replaced with comparable property or such demolition or removal is otherwise permitted by the Agreement; or (3) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

Term

The Regulatory Agreement and all and several of the terms of the Regulatory Agreement will become effective upon its execution and delivery, and will remain in full force and effect for the period provided therein and will terminate as to any provision not otherwise provided with a specific termination date and will terminate in its entirety at the end of the Qualified Project Period, it being expressly agreed and understood that the provisions thereof are intended to survive the retirement of the Bonds and discharge of the Indenture and the Agreement.

The terms of the Regulatory Agreement to the contrary notwithstanding, the requirements of the Regulatory Agreement will terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of the Regulatory Agreement caused by fire or other casualty, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date, which prevents the Agency and the Trustee from enforcing such provisions, or condemnation or a similar event, but only if, within a reasonable period, either the Bonds are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements of the Regulatory Agreement; provided, however, that the preceding provisions of this sentence will cease to apply and the restrictions contained therein will be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Owner or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Owner agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Owner nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding any other provision of the Regulatory Agreement, the Regulatory Agreement may be terminated upon agreement by the Agency, the Trustee and the Owner, with the consent of CDLAC and the City, upon receipt by the Agency and the Trustee of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. Upon the termination of the terms of the Regulatory Agreement, the parties thereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms thereof; provided, however, that the execution and delivery of such instruments will not be necessary or a prerequisite to the termination of the Regulatory Agreement in accordance with its terms.

Covenants to Run with the Land

Notwithstanding Section 1461 of the California Civil Code, the Owner subjects the Project to the covenants, reservations and restrictions set forth in the Regulatory Agreement. The Agency and the Owner declare their express intent that the covenants, reservations and restrictions set forth in the Regulatory Agreement will be deemed covenants running with the land and will pass to and be binding upon the Owner's successors in title to the Project; provided, however, that on the termination of the Regulatory Agreement said covenants, reservations and restrictions will expire. Each and every contract, deed or other instrument thereafter executed covering or conveying the Project or any portion thereof will conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

Third-Party Beneficiary

CDLAC and the City are intended to be and will be third-party beneficiaries of the Regulatory Agreement. CDLAC will have the right (but not the obligation) to enforce the CDLAC Conditions and to pursue an action for specific performance or other available remedy at law or in equity in accordance with the "Default; Enforcement" provisions of the Regulatory Agreement, provided that any such action or remedy shall not materially adversely affect the interests and rights of the Holders of the Bonds.

Governing Law

The Regulatory Agreement will be construed in accordance with and governed by the laws of the State of California. The Owner represents and warrants that at all times its acts in connection with the Project have complied with and will continue to comply with all applicable provisions of federal, state and local laws, all applicable provisions of the Act, the rules, regulations, policies and procedures of the Agency, as may apply, and all agreements with the Agency and any other public entities concerning the Project as amended from time to time. The Owner represents to the Agency that professional advice is available to the Owner for the purpose of enabling the Owner to be aware of and to comply with said laws, policies, procedures and agreements. The Owner agrees to indemnify the Agency against any loss incurred by the Agency as a result of the Owner's failure to comply therewith. Specifically, the Owner acknowledges the existence of federal, state and local "Fair Housing" laws regarding discrimination in rental housing, handicapped accessibility and the relocation of persons displaced by the Project. The Owner agrees that the Owner, and not the Agency, is responsible for complying with such laws.

LEASE AGREEMENT

The following is a summary of certain provisions of the form of Lease Agreement which are not described elsewhere in the Official Statement. This summary does not purport to be comprehensive, and reference should be made to the Lease for a full and complete statement of its expected provisions.

Lease of the Property; Rent; Term

Rent.

Rent Payments. In consideration for the lease of the Property, pursuant to the Lease, the City will pay the Partnership the Rent Payments, in the amounts and the dates set forth under the caption "Rent Payments" in an exhibit to the Lease, as such amounts may be adjusted from time to time in accordance with the terms of the Lease.

Rent Payments will be paid by the City to the Partnership in lawful money of the United States of America and, except as provided in the "Abatement" provisions of the Lease, any amount necessary to pay any Rent Payments and or portion thereof that is not so deposited will remain due and payable until received by the Trustee. Notwithstanding any dispute between the City and the Partnership under the Lease, the City will make all Rent Payments when due and will not withhold any Rent Payments pending the final resolution of such dispute or for any reason whatsoever. The City's obligation to make Rent Payments in the amount and on the terms and conditions specified under the Lease will be absolute and unconditional without any right of set-off or counterclaim, and without abatement, subject only to the provisions of the "Abatement" provisions of the Lease.

As provided in the "Assignment of Rent Payments" provisions of the Lease, the City will make Rent Payments by paying such amounts to the Trustee.

Adjustment of Rent Payments. It is the intention of the Parties that the principal and the interest components of the Rent Payments correspond to 1.15 times the amounts of principal and interest payable on the Bonds. In the event any Bonds are redeemed prior to their maturity dates or scheduled dates of redemption, the Parties agree to revise the exhibit to the Lease to make corresponding reductions to the principal and interest components of the Rent Payment Schedule.

Net Lease. It is the purpose and intent of the Partnership and the City that Rental Payments under the Lease will be absolutely net to the Partnership so that the Lease is a "net-net-net lease" and will yield to the Partnership the Rent Payments, free of any charges, assessments, or impositions of any kind charged, assessed or imposed on or against the Property, and without counterclaim, deduction, defense, deferment or set-off by the City, except as specifically otherwise provided in the Lease.

Fair Value. The Parties agree and acknowledge that the Rent Payments, for each year, is not, and will not be, in excess of the total fair rental value of the Property for such year. In making such determination, the Parties have considered the uses and purposes served by the Property and the benefits to the general public by reason of the

Partnership's use of the Property for the Project, and the requirements imposed on the Partnership by the Ground Lease and other documents that limit the Property's use solely to the Project.

Budget. The City covenants to take such action as may be necessary to include each Rent Payment in its annual budget and to make the necessary appropriations for each annual Rent Payment, subject to the "Abatement" provisions of the Lease; provided, however, the City's obligation to make the Rent Payments does not constitute an obligation of the City to levy or pledge any form of taxation, or for which the City has levied or pledged any form of taxation. The requirement to include the Rent Payments in the annual budget and to make the necessary appropriations therefor are deemed to be, and will be construed as, ministerial duties imposed by law. The terms of the Lease will be governed by and subject to the budgetary and fiscal provisions of the Charter.

Abatement. During any period during which an Abatement Event has occurred and is continuing, Rent Payments due under the Lease will be abated proportionately to the impact of such Abatement Event on the City's beneficial use of the Property, and the City waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and of Title 11 of the United States Code, Section 365(h) and any and all other rights to terminate the Lease by virtue of any such interference and the Lease will continue in full force and effect.

For purposes of this section, "Abatement Event" means the occurrence and continuation of any of the following:

(a) If the City is making the full operating subsidy payments as provided in the Operating Subsidy Agreement and the full tenant services subsidy payments as provided in the Tenant Services Subsidy Agreement, the Partnership will fail, for a period of six months during which time the City will have been using its best efforts to compel such compliance (exercising its remedies under the Sublease), to substantially comply with its obligation to provide or cause to be provided long-term supportive housing services to chronically homeless individuals as provided in the Operating Subsidy Agreement and the Tenant Services Subsidy Agreement.

(b) If the City is not making the full operating subsidy payments as provided in the Operating Subsidy Agreement or the full tenant services subsidy payments as provided in the Tenant Services Subsidy Agreement, the Partnership will fail to make the Property available for occupancy by low and moderate income persons at an affordability level determined by the parties under the Operating Subsidy Agreement, but at a minimum with residential rents and/or other available subsidy to cover operating expenses and achieve a 1.15 debt service coverage ratio.

(c) By reason of condemnation or material damage to or destruction of the Property, neither the Partnership nor the City has beneficial use and occupancy of the Property.

Term. The term of the Lease will commence as of the Effective Date and will remain in full force and effect from such date until the date of the final maturity of the Bonds (the "Term"), unless such Term is extended or sooner terminated as set forth in the "Extension; Early Termination" provisions of the Lease.

Extension; Early Termination. If, on the date of the final maturity of the Bonds, the Rent Payments will not have been paid, or provision therefor made, for any reason, including, without limitation, because the rental payable under the Lease will have been abated at any time and for any reason, then the Term will be extended until ten (10) days after all the principal components and the interest components of the Rent Payments will have been paid, or provision therefor made and no Bonds remain outstanding; provided, the Term will in no event be extended beyond the date which is ten years after date of final maturity for the Bonds. If at any time prior to the date of the final maturity of the Bonds Rent Payments will have been paid in full, or provision of moneys therefor made in and no Bonds remain outstanding, the Term will end and the Lease will automatically terminate without further action of the Parties.

Quiet Enjoyment; Use

Quiet Enjoyment. The Parties intend that as of the Effective Date the Property will be leased back to the Partnership pursuant to the Sublease for the term thereof. Subject to any rights that the Partnership may have under the Sublease (in the absence of an event of default under the Sublease) to possession and enjoyment of the Property, the Partnership covenants and agrees that it will not take any action to prevent the City from having quiet and peaceable possession and enjoyment of the Property during the Term, and will, at the request of the City and at the Partnership's cost, to the extent that it may lawfully do so, join in any legal action in which the City asserts its right to such possession and enjoyment. Nothing in this section limits the obligation of the City to enter into the Sublease or the Partnership's right to use and occupy the Property under the Sublease. At no cost to the City, Partnership will furnish all utilities and services to the Property.

Use. Throughout the Term, the Property will only be used solely for the construction and operation of the Project, provided, however, as more particularly set forth in the Sublease, as between the City and the Partnership, so long as the Sublease remains in effect the Partnership is solely responsible for all obligations of developing, owning, and operating the Project.

Partnership's Maintenance and Repairs. At no cost to the City, Partnership will repair and maintain the Property at its cost and in safe and sanitary condition (normal wear and tear excepted), including, without limitation, the roof, foundation, bearing and exterior walls and subflooring, and the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems of the Property and any common areas. Without limiting the foregoing, Partnership will maintain the Property in a clean, safe and attractive manner, will provide exterior graffiti removal with reasonable frequency, and will not permit to be done in or about the Property anything that is illegal, is dangerous to persons or property or constitutes a nuisance.

Changes to the Property. The Partnership will, at its sole cost, have the right during the Term to make improvements to the Property or to attach any fixtures, structures or signs to the Property if such improvements, fixtures, structures or signs are necessary or beneficial for the use of the Property; provided, such actions by the Partnership will not materially adversely affect the operation of the Property for the purpose intended or reduce the fair rental value of the Property in any material respect.

Damage and Destruction.

(a) If the Property is damaged by fire, earthquake or other casualty, Partnership will repair the same without delay. The City will have no obligation to make any repairs to the Property and will have no financial obligation with respect to any repairs to the Property. The Lease will remain in full force and effect, except that City will be entitled to an abatement of Rent Payments as provided in the "Abatement" provisions of the Lease.

(b) If, in Partnership's reasonable judgment made in good faith, the Partnership determines that (i) repairs cannot be made within two hundred ten (210) days after the date of damage or (ii) available insurance proceeds (excluding any deductible for which Partnership will be responsible) will not be sufficient to make necessary repairs, Partnership may elect to terminate the Lease by written notice to the City within thirty (30) days of such determination. If the Partnership does not elect to terminate the Lease as provided in this paragraph (b), the Lease will remain in full force and effect, except that City will be entitled to an abatement of Rent Payments as provided in the "Abatement" provisions of the Lease.

(c) The parties intend that the provisions of this section govern fully their rights and obligations in the event of damage or destruction, and Partnership and the City each waives and releases any right to terminate the Lease in whole or in part under Section 1932, subdivision 2, Section 1933, subdivision 4, and Sections 1941 and 1942 of the Civil Code of California or under any similar law, statute or ordinance now or hereafter in effect, to the extent such rights are inconsistent with the provisions of the Lease.

Eminent Domain.

Definitions.

(a) “Award” means all compensation, sums or anything of value paid, awarded or received for a Taking, whether pursuant to judgment, agreement, settlement or otherwise.

(b) “Date of Taking” means the earlier of (i) the date upon which title to the portion of the Property taken passes to and vests in the condemnor or (ii) the date on which the City is dispossessed.

(c) “Taking” means a taking or damaging, including severance damage, by eminent domain, inverse condemnation or for any public or quasi-public use under law. A Taking may occur pursuant to the recording of a final order of condemnation, or by voluntary sale or conveyance in lieu of condemnation or in settlement of a condemnation action

General. If there is any Taking of all or any part of the Property or any interest in the Lease, the rights and obligations of the parties under the Lease will be determined pursuant to this section. The City and the Partnership intend that the provisions of the Lease govern fully in the event of a Taking and accordingly, the parties each waive any right to terminate the Lease in whole or in part under Sections 1265.110, 1265.120, 1265.130 and 1265.140 of the California Code of Civil Procedure or under any similar law now or hereafter in effect.

Total Taking; Automatic Termination. If there is a total Taking of the Property, then the Lease will terminate as of the Date of Taking.

Partial Taking; Election to Terminate. If there is a Taking of any portion (but less than all) of the Property, (i) the partial Taking, in the City’s reasonable judgment, renders the remaining portion of the Property untenable or unsuitable for continued use by the City for its intended purposes or otherwise materially adversely affects the normal operations of the Property and (ii) the condition rendering the Property untenable or unsuitable either is not curable or is curable but Partnership is unwilling or unable to cure such condition, the City may, by giving written notice to the Partnership before or within thirty (30) days after the Date of Taking, elect to terminate the Lease and thereafter the Lease will terminate upon the later of the thirtieth (30th) day after such written notice is given or the Date of Taking.

Termination of Lease; Rent and Award. Upon termination of the Lease in its entirety pursuant to the “– Total Taking; Automatic Termination” provisions above, or pursuant to an election under the “– Partial Taking; Election to Terminate” provisions above, then: (a) the City’s obligation to pay Rent Payments will continue up until the date of termination and thereafter will cease, and (b) Partnership will be entitled to the entire Award in connection therewith, except that the City will receive any Award made specifically for the City’s expenses.

Partial Taking; Continuation of Lease. If there is a partial Taking of the Premises under circumstances where the Lease is not terminated in its entirety under the “– Partial Taking; Election to Terminate” provisions above, then the Lease will terminate as to the portion of the Property so taken, but will remain in full force and effect as to the portion not taken, and the rights and obligations of the parties will be as follows: (a) Rent Payments will be abated as provided in the “Abatement” provisions of the Lease, and (b) Partnership will be entitled to the entire Award in connection therewith, provided that City will receive any Award made specifically for the City’s expenses.

Temporary Taking. Notwithstanding anything to the contrary in this section, if a Taking occurs with respect to the Property for a limited period of time not in excess of sixty (60) consecutive days, the Lease will remain unaffected thereby, and the City will continue to pay Rent and to perform all of the terms, conditions and covenants of the Lease. In the event of such temporary Taking, the City will be entitled to receive that portion of any Award representing compensation for the use or occupancy of the Premises during the Term up to the total Rent owing by the City for the period of the Taking.

Partnership’s Indemnity and Insurance.

Partnership’s Indemnity. Partnership will Indemnify the City and its agents against any and all Claims arising out of or as a result of (a) any failure of the Property or any portion thereof to comply with applicable Laws as provided in the “Lease of the Property” provisions of the Lease or any misrepresentation by the Partnership under the “Lease of the Property” provisions of the Lease, (b) any default by Partnership in the performance of any of

its obligations under the Lease or any breach of any representations or warranties made by Partnership under the Lease, or (c) any negligent acts or omissions of Partnership or its agents in, on or about the Property; provided, however, Partnership will not be obligated to Indemnify the City or its Agents to the extent any Claim arises out of the active gross negligence or willful misconduct of the City or its Agents. In any action or proceeding brought against the City or its Agents by reason of any Claim Indemnified by Partnership under the Lease, Partnership may, at its sole option, elect to defend such Claim by attorneys selected by Partnership. Partnership will have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that the City will have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. Partnership's obligations under this section will survive the termination of the Lease.

Definitions.

(a) "Claims" means any liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties, and expenses, including direct and vicarious liability of every kind.

(b) "Indemnity" means to indemnify, defend and hold harmless.

Insurance. Partnership acknowledges and agrees that City will not be required to carry any insurance with respect to the Lease.

Hazardous Materials.

Definitions. As used in the Lease, the following terms will have the meanings set forth below:

(a) "Environmental Laws" will mean any federal, state, local or administrative law, rule, regulation, order or requirement relating to industrial hygiene, environmental conditions or Hazardous Material, whether now in effect or hereafter adopted.

(b) "Hazardous Material" will mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Section 9601 et seq.), or pursuant to Section 25316 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of the Building or are naturally occurring substances on or about the Property; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids.

(c) "Release" when used with respect to Hazardous Material will include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into, inside, in, on, under or about the Property.

Partnership's Representations and Covenants. Partnership represents and warrants to the City that, to the best of Partnership's knowledge, and except as previously disclosed in writing to the City, as of the Effective Date the following statements are true and correct: (a) the Property is not in violation of any Environmental Laws; (b) the Property is not now, nor has it been, used for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material, except for the use of such substances in such limited quantities as are customarily used in offices, which limited use has been and is in compliance with Environmental Laws; (c) the Property does not consist of any landfill or contain any underground storage tanks; (d) the Property does not consist of any asbestos-containing materials or building materials that contain any other Hazardous Material, nor contain any lead-based paints; (e) there has been and is no Release of any Hazardous Material in, on, under or about the Property; and (f) the Property is not subject to any claim by any governmental regulatory agency or third party related to the Release of any Hazardous Material, and there is no inquiry by any governmental agency (including, without limitation, the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in, on, under or about the Property, or the migration of Hazardous Material from

or to other real property. The Partnership will maintain the Property throughout the Term in compliance with all Environmental Laws that could affect the health, safety and welfare of the Property's residents or City's use of the Property for their intended purposes.

Partnership's Environmental Indemnity. Without limiting Partnership's Indemnity in the "– Partnership's Indemnity" provisions above, above, Partnership will Indemnify the City and its agents against any and all Claims arising during or after the Term of the Lease (a) as a result of any breach of any of Partnership's representations, warranties or covenants in the preceding "– Partnership's Representations and Covenants" provisions above, or (b) in connection with any presence or Release of Hazardous Material in, on, under or about the Property.

Special Covenants and Provisions

Waste. The City agrees that at all times that it is in possession of the Property (subject to the Sublease), it will not commit, suffer or permit any waste on the Property, and that it will not willfully or knowingly use or permit the use of the Property for any illegal purpose or act.

Further Assurances and Corrective Instruments. The Parties agree that each Party will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such additional documents, and such further instruments, as may reasonably necessary for correcting any inadequate or incorrect description of the Property thereby leased or intended so to be or for carrying out the expressed intention of the Lease and the Sublease, including, but not limited to, any document reasonably requested by a Party to evidence the termination of the Lease in accordance with the "Extension; Early Termination Provisions of the Lease."

Waiver of Personal Liability. All liabilities under the Lease on the part of a Party will be solely liabilities of the Party, itself, and each Party releases each and every director, officer and employee of the other Party of and from any personal or individual liability under the Lease. No director, officer or employee of a Party will at any time or under any circumstances be individually or personally liable under the Lease to the other Party, or to any other party whomsoever for anything done or omitted to be done by the Party.

Representations of the Partnership. The Partnership represents and warrants to the City as follows:

(a) the Partnership has the full power and authority to enter into, to execute and to deliver the Lease, and to perform all of its duties and obligations under the Lease, and has duly authorized the execution of the Lease;

(b) except for the Ground Lease, the Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the use of the Property for purposes as contemplated by the Partnership;

(c) all taxes, assessments or impositions of any kind with respect to the Property, except current taxes (if any), have been paid in full;

(d) the Ground Lease is in full force and effect and the Landowner has not declared any default;

(e) the physical structure, fixtures and permanent improvements of the Property are, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws");

(f) the Property is in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws");

(g) the Property is in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws");

(h) the Property is in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and

(i) there are no material physical or mechanical defects in the Property that would materially adversely affect City's intended use of the Property.

Representations of the City. The City represents and warrants to the Partnership that the City has the full power and authority to enter into, to execute and to deliver the Lease, and to perform all of its duties and obligations under the Lease, and has duly authorized the execution and delivery of the Lease.

Tax Matters. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the City covenants that it will, within the power of the City in its capacity as lessee under the Lease or as lessor under the Sublease, not knowingly take or cause to be taken any action or actions, or fail to take, upon the written request of the Trustee, any action or actions, if the taking of such action or actions or the failure to take such action or actions, as the case may be, would cause interest on the Bonds to be included in gross income for federal income tax purposes.

Continuing Disclosure. The City covenants and agrees that it will comply with the provisions of the Continuing Disclosure Certificate. Failure of the City to comply with the Continuing Disclosure Certificate will not be considered an event of default under the Lease; however, the Trustee, any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or any holder or Beneficial Owner (as defined in the Continuing Disclosure Certificate) may take such actions as may be necessary and appropriate to cause the City to comply with the provisions of the Continuing Disclosure Certificate.

City Contracting Provisions. The Partnership covenants and agrees to comply with the City contracting provisions set forth in an exhibit to the Lease, which is incorporated in and made a part of the Lease.

Bond Refunding. The parties acknowledge that, subject to market conditions and other factors, there may be opportunities to achieve savings or other efficiencies through a redemption of the Bonds on or after any applicable optional redemption date. In such event, the parties agree to cooperate and use their respective best efforts to cause the Bonds to be refunded. The parties acknowledge that any refunding of the Bonds will require taking into account any adverse effect to the tax credit investor in the Project, and the parties will endeavor to minimize the financial impact on the tax credit investor. No party shall be authorized to cause a refunding of the Bonds without prior consultation among and the consent of the City and the Partnership, which consents will not be unreasonably withheld so long as there is not an adverse financial impact to the tax credit investor in the Project due to such Bond refunding, and provided further that the redemption date is no later than the date set forth in the Lease.

Compliance with Lease. The City and the Partnership agree faithfully to observe and perform their respective covenants, conditions and requirements in the Lease. The City will not suffer or permit any default to occur under the Lease, nor do or permit to be done in, upon or about the Property or any part thereof, anything that might in any way impair the obligation of the City to make Rent Payments under the Lease. The City will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Lease.

Assignment, Subleasing, Mortgaging and Selling

Assignment and Subleasing. The Lease may not be sold or assigned and the Property subleased, as a whole or in part, by the City without the prior written consent of the Partnership. Concurrently with the execution of the Agreement, the City and the Partnership have entered into the Sublease. Notwithstanding the foregoing, any single unit in the Project may be leased to an income-eligible occupant in compliance with the Ground Lease.

Restrictions on the Partnership. The Partnership agrees that it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the Term without the prior written consent of the City, which will not be unreasonably withheld, delayed or conditioned; except for any Permitted Encumbrances (as such term is defined in the Bond Regulatory Agreement).

Assignment of Rent Payments. The Partnership has assigned all of its right, title and interest in Rent Payments necessary to pay debt service then due and payable under the Bonds and related fees to the Bond Issuer to secure its obligations under the Agreement and the Bond Issuer has assigned all of its right, title and interest in such payments to the Trustee to secure the Bonds, and the City acknowledges such assignments. Accordingly, so long as any Bonds are outstanding (in an amount equal to cover any debt service payments then due and payable under the Bonds), the City will make such payments by remitting such amounts directly to the Trustee upon receiving written instructions from the Partnership or Trustee.

Default

City Events of Default. Each of the following will constitute a “Default” by the City:

(a) **Payment Default; Breach of Covenants.** (i) Failure by the City to make any Rent Payment when due and payable under the Lease or (ii) failure by the City to duly perform, comply with, or observe any other of the conditions, terms, or covenants of the Lease and such failure having continued uncured for thirty (30) days after receipt of written notice thereof from the Partnership to the City, or, if the breach cannot be cured within thirty (30) days, the City will not be in breach so long as the City is diligently undertaking to cure such breach and such breach is cured within ninety (90) days.

(b) **Partnership’s Remedies.** On the occurrence of any Default by the City, the Partnership will be entitled to any remedy available under applicable law, including: (i) terminating the Lease; or (ii) recovering money damages. In addition, to the extent applicable, the Partnership will specifically be entitled to the remedies set forth in California Civil Code Sections 1951.2 and 1951.4, each of which are incorporated into the Lease. Notwithstanding any other provision of the Lease, in no event will the Partnership have the right to accelerate the payment of any Rent Payment under the Lease.

Each and every remedy of the Partnership or any assignee of the rights of the Partnership under the Lease is cumulative and the exercise of one remedy will not impair the right of the Partnership or its assignee to any or all other remedies. If any statute or rule validly will limit the remedies given to the Partnership or any assignee of the rights of the Partnership, the Partnership or its assignee nevertheless will be entitled to whatever remedies are allowable under any statute or rule of law.

Partnership Event of Default. Each of the following will constitute a “Default” by the Partnership.

(a) **Breach of Covenants.** Failure by the Partnership to duly perform, comply with, or observe any other of the conditions, terms, or covenants of the Lease and such failure having continued uncured for sixty (60) days after receipt of written notice thereof from the City to the Partnership, or, if the breach cannot be cured within sixty (60) days, the Partnership will not be in breach so long as the Partnership is diligently undertaking to cure such breach to the reasonable satisfaction of the City.

(b) **City’s Remedies.** On the occurrence of any Default by the Partnership that extends beyond the applicable notice and cure periods set forth in the Lease, the City will be entitled to any remedy available under applicable law, including: (i) specific performance; or (ii) recovery of money damages. In addition, to the extent applicable, the City will specifically be entitled to the remedies set forth in California Civil Code Sections 1951.2 and 1951.4, each of which are incorporated into the Lease. Notwithstanding any other provisions of the Lease, in no event will the City have the right to terminate the Lease.

Waiver. The waiver by the Partnership of any breach by the City, and the waiver by the City of any breach by the Partnership, of any term, covenant or condition of the Lease will not operate as a waiver of any subsequent breach of the same or any other term, covenant or condition of the Lease.

Miscellaneous

Applicable Law; Venue. The Lease will be governed by and construed in accordance with the laws of the State of California. In the event any legal action is commenced to interpret or to enforce the terms of the Lease or to

collect damages as a result of any breach thereof, the venue for such action will be the Superior Court of the City and County of San Francisco.

Landowner and Limited Partner as Third-Party Beneficiaries. The Landowner is an express third-party beneficiary of the Lease, with a direct right of enforcement against the Parties.

Notwithstanding anything to the contrary set forth elsewhere in the Lease, the Limited Partner will be deemed a third-party beneficiary of the provisions of the Lease that reference the Limited Partner, and the Limited Partner will have rights to enforce such terms (as applicable). The foregoing rights of the Limited Partner to be a third-party beneficiary under the Lease will be the only rights (express or implied) of the Limited Partner, to be a third-party beneficiary under the Lease and all such rights will cease if the Limited Partner is no longer a partner in the Partnership.

Other than the Landowner and the Limited Partner, no other party is, or may be considered, a third-party beneficiary of the Lease.

For purposes of this section, the term “Limited Partner” means Citibank, N.A. or any successor limited partner of the Partnership.

No Merger. If both the Partnership’s and the City’s estate under this or any other lease relating to the Property or any portion thereof will at any time for any reason become vested in one owner, the Lease and the estate created thereby will 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 will 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 Bonds are outstanding.

SUBLEASE AGREEMENT

The following is a summary of certain provisions of the form of Sublease Agreement which are not described elsewhere in the Official Statement. This summary does not purport to be comprehensive, and reference should be made to the Sublease for a full and complete statement of its expected provisions.

Sublease of the Property; Rent; Term

Rent. As of the Effective Date, the Partnership has paid to the City, as and for rent of the Property for the entire term under the Sublease, the sum of One Dollar (\$1.00), the receipt of which is acknowledged by the City. The Sublease is intended to be a triple net lease. The Partnership agrees that the rent provided for in the Sublease will be an absolute net return to the City free and clear of any expenses, charges or set-offs whatsoever.

As additional consideration to the City under the Sublease:

(a) If the City is making the full operating subsidy payments as provided in the Operating Subsidy Agreement and the full tenant services subsidy payments as provided in the Tenant Services Subsidy Agreement, the Partnership will provide or cause to be provided long-term supportive housing services to chronically homeless individuals as provided in the Operating Subsidy Agreement and the Tenant Services Subsidy Agreement; or

(b) If the City is not making the full operating subsidy payments as provided in the Operating Subsidy Agreement or the full tenant services subsidy payments as provided in the Tenant Services Subsidy Agreement, the Partnership will make the Property available for occupancy by low and moderate income persons at an affordability level determined by the parties under the Operating Subsidy Agreement, but at a minimum with residential rents and/or other available subsidy to cover operating expenses and achieve a 1.15 debt service coverage ratio.

Term. The term of the Sublease will commence as of the Effective Date and will remain in full force and effect from such date until the date of final maturity for the Bonds (the “Term”), unless such Term is sooner terminated as set forth in the “Early Termination” provisions of the Sublease.

Early Termination. If either the Ground Lease or the Lease Agreement is terminated at any time prior to the date of final maturity for the Bonds, the Sublease will automatically terminate without further action of the Parties.

Quiet Enjoyment; Use

Quiet Enjoyment. Subject to the Lease, the Partnership will have the quiet use and enjoyment of the Property throughout the Term. Subject to any rights that the City may have under the Lease (in the absence of an event of default under the Lease by the City) to possession and enjoyment of the Property, the City covenants and agrees that it will not take any action to prevent the Partnership from having quiet and peaceable possession and enjoyment of the Property during the Term, and will, at the request of the Partnership and at the City’s cost, to the extent that it may lawfully do so, join in any legal action in which the Partnership asserts its right to such possession and enjoyment.

Use. Throughout the Term, the Property will only be used solely for the construction and operation of the Project. Throughout the Term, the Partnership will have sole responsibility and right to develop, own and operate the Project including, but not limited to:

(a) using the Project only to provide proper housing facilities and, if the City is making the full operating subsidy payments under the Operating Subsidy Agreement and the full tenant services subsidy payments under the Tenant Services Subsidy Agreement, ancillary uses to chronically homeless individuals, and to maintain the character of the Project as required by the Sublease, the Lease, TCAC regulations, the Bond Regulatory Agreement (as defined in the Lease) and the Project financing documents for so long as such agreements remain in effect; and

(b) managing all daily functions of the Project, including without limitation, the selection of residents, certification and recertification of the tenants’ household income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The City will have no responsibility or control over management of the Project. The Partnership will retain Mercy Housing Management Group, Inc., or another professional property management company reasonably acceptable to the City to perform its management duties.

Repairs and Maintenance. At no expense to the City, Partnership will maintain (and replace, if necessary) the Property (including the floors, interior plumbing, electrical wiring, fixtures, and equipment) in good repair and working order and in a clean, secure, safe, and sanitary condition. Partnership will promptly make all repairs and replacements: (a) at no cost to the City, (b) by licensed contractors or qualified mechanics approved by the City, (c) so that the repairs and replacements will be at least equal in quality, value, and utility to the original work or installation, and (d) in accordance with all applicable Legal Requirements. Partnership waives all rights to make repairs at the City’s expense under Sections 1941 and 1942 of the California Civil Code or under any similar Legal Requirements.

Utilities. At no cost to the City, Partnership will be solely responsible for furnishing any utilities or services that Partnership may need for its use of the Property. If any Legal Requirements impose mandatory or voluntary controls on the City or any part of the Property relating to the use or conservation of energy, water, gas, light, or electricity or the reduction of automobile or other emissions, or the provision of any other utility or service provided with respect to the Sublease, or if the City is required to make alterations to any part of the Property to comply with mandatory controls or guidelines, then that compliance and making of any related alterations will not entitle Partnership to any damages, relieve Partnership of the obligation to pay the full rent or to perform each of its other covenants under the Sublease, or constitute or be construed as a constructive or other eviction of Partnership. At any time, the City may install a water meter in the Property or to otherwise measure the amount of water consumed on the Property, and Partnership will pay for the cost of the meter or other means of measurement and its installation and maintenance.

Changes to the Property. The Partnership will, at its sole cost, have the right during the Term to make improvements to the Property or to attach any fixtures, structures or signs to the Property if such improvements,

fixtures, structures or signs are necessary or beneficial for the use of the Property; provided, such actions by the Partnership will not materially adversely affect the operation of the Property for the purpose intended or reduce the fair rental value of the Property in any material respect.

Damage and Destruction.

(a) If the Property is damaged by fire, earthquake or other casualty, Partnership will repair the same without delay. The City will have no obligation to make any repairs to the Property and will have no financial obligation with respect to any repairs to the Property.

(b) If, in Partnership's reasonable judgment made in good faith, the Partnership determines that (i) repairs cannot be made within two hundred ten (210) days after the date of damage or (ii) available insurance proceeds (excluding any deductible for which Partnership will be responsible) will not be sufficient to make necessary repairs, Partnership may elect to terminate the Sublease by written notice to the City within thirty (30) days of such determination. If the Partnership does not elect to terminate the Sublease as provided in this paragraph (b), the Sublease will remain in full force and effect.

(c) The parties intend that the provisions of this section govern fully their rights and obligations in the event of damage or destruction, and Partnership and City each waives and releases any right to terminate the Sublease in whole or in part under Section 1932, subdivision 2, Section 1933, subdivision 4, and Sections 1941 and 1942 of the Civil Code of California or under any similar law, statute or ordinance now or hereafter in effect, to the extent such rights are inconsistent with the provisions of the Sublease.

Compliance with Legal Requirements and Risk Management Requirements.

Compliance with Legal Requirements. At no cost to the City, Partnership will promptly comply with all present or future federal, state, local, and administrative laws, ordinance, resolution, regulation, requirement, proclamation, order, or decree of any municipal, county, state, or federal government or other governmental or regulatory authority, board of fire underwriters, or any directive or occupancy certificate issued under any law by any public officer or officers acting in their regulatory capacity (now or later in effect, collectively "Legal Requirements") relating to the Property or the use or occupancy of the Property, including the City's "Government Requirements" set forth in an exhibit to the Lease, and with any and all recorded covenants, conditions, and restrictions affecting all or any portion of the Property, whether in effect at the time of the execution of the Sublease or adopted or recorded at any time later and whether or not they were considered by the parties in negotiating the Sublease. It is Partnership's obligation, at no cost to the City, to cause the Property and Partnership's uses thereof to be conducted in compliance with the Americans with Disabilities Act, 42 U.S.C. Section 12101 et seq. and any other applicable disability access Legal Requirements. Any alteration or improvement to the Property made by or on behalf of Partnership under the provisions of this section will comply with the "Repairs and Maintenance" provisions of the Lease, provided above. Partnership's obligation to comply with all Legal Requirements is a material part of the bargained-for consideration under the Sublease. Partnership's obligation under this section includes its responsibility to make substantial or structural repairs and alterations to the Property, regardless of, among other factors, the relationship of the cost of curative action to the Rent under the Sublease, the length of the then remaining Term, the relative benefit of the repairs to Partnership or the City, the degree to which the curative action may interfere with Partnership's use or enjoyment of the Property, the likelihood that the parties contemplated the particular Legal Requirements involved, and whether the Legal Requirements involved are related to Partnership's particular use of the Property.

Regulatory Approvals.

(a) Responsible Party. Partnership's use of the Premises and construction of any alterations or improvements may require authorizations, approvals, or permits from governmental regulatory agencies with jurisdiction over the Property. Partnership is solely responsible for obtaining all regulatory approvals. Partnership will bear all costs associated with applying for and obtaining any regulatory approval and is solely responsible for satisfying any and all conditions imposed by regulatory agencies as part of a regulatory approval; provided, however, any condition that could affect use or occupancy of the Property or the City's interest in the Property will first be approved by the City. Partnership will immediately pay and discharge any fines or penalties levied as a result of Partnership's failure to comply with the terms and conditions of any regulatory approval, and the City will have no

liability, monetary or otherwise, for any fines or penalties. Partnership will Indemnify the City and the other Indemnified Parties (defined below) against all Claims (defined below) arising in connection with Partnership's failure to obtain or failure by Partnership, its agents, or its invitees to comply with the terms and conditions of any regulatory approval.

(b) The City Acting in its Proprietary Interest. The City is entering into the Sublease in its proprietary interest in the Property and not as a regulatory agency with police powers. Nothing in the Sublease will limit in any way Partnership's obligation to obtain any required approvals from City officials, departments, boards, agencies, commissions, or other body having jurisdiction over the Property. By entering into the Sublease, the City is not modifying or limiting Partnership's obligation to cause the Property to be used and occupied in accordance with all applicable Legal Requirements.

Compliance with the City's Risk Management Requirements. Partnership will not do anything, or permit anything to be done, in or about the Property that would be prohibited by or increase rates under a standard form fire insurance policy or subject the City to potential liability. At no cost to the City, Partnership will faithfully observe any and all requirements of the City's Risk Manager with respect to Partnership's use and occupancy of the Property.

Special Covenants and Provisions

Waste. The Partnership agrees that at all times that it is in possession of the Property, it will not commit, suffer or permit any waste on the Property, and that it will not willfully or knowingly use or permit the use of the Property for any illegal purpose or act.

Further Assurances and Corrective Instruments. The Parties agree that each Party will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such additional documents, and such further instruments, as may be reasonably necessary for correcting any inadequate or incorrect description of the Property leased or intended so to be or for carrying out the expressed intention of the Sublease and the Lease, including, but not limited to, any document reasonably requested by a Party to evidence the termination of the Sublease in accordance with the "Early Termination" provisions of the Sublease.

Waiver of Personal Liability. All liabilities under the Sublease on the part of a Party will be solely liabilities of the Party, itself, and each Party releases each and every director, officer and employee of the other Party of and from any personal or individual liability under the Sublease. No director, officer or employee of a Party will at any time or under any circumstances be individually or personally liable under the Sublease to the other Party, or to any other party whomsoever for anything done or omitted to be done by the Party.

Representations of the Partnership. The Partnership represents and warrants to the City as follows:

(a) the Partnership has the full power and authority to enter into, to execute and to deliver the Sublease, and to perform all of its duties and obligations under the Sublease, and has duly authorized the execution of the Sublease;

(b) except for the Ground Lease, the Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the use of the Property for purposes as contemplated by the Partnership;

(c) all taxes, assessments or impositions of any kind with respect to the Property, except current taxes (if any), have been paid in full; and

(d) the Ground Lease is in full force and effect and the Landowner has not declared any default.

Representations of the City. The City represents and warrants to the Partnership that the City has the full power and authority to enter into, to execute and to deliver the Sublease, and to perform all of its duties and obligations under the Lease, and has duly authorized the execution and delivery of the Sublease.

Waiver of Claims; Indemnification

Limitation on the City's Liability; Waiver of Claims. The City will not be responsible for, or liable to, Partnership, and Partnership assumes the risk of, and waives and releases the City and its Agents from all Claims for any injury, loss, or damage to any person or property in or about the Property by or from any cause whatsoever including: (a) any act or omission of persons occupying any part of the Property; (b) theft; (c) explosion, fire, steam, oil, electricity, water, gas, rain, pollution, or contamination; (d) stopped, leaking, or defective building systems; (e) Property defects; and (f) any other acts, omissions, or causes. Nothing in this section will relieve the City from liability caused solely and directly by the active gross negligence or willful misconduct of the City or its Agents, but the City will not be liable under any circumstances for any consequential, incidental, or punitive damages.

Partnership's Indemnity. Partnership, on behalf of itself and its successors and assigns, will indemnify, defend, and hold harmless ("Indemnify") the City, including all of its boards, commissions, departments, agencies, and other subdivisions, and all of its and their Agents, and their respective heirs, legal representatives, successors, and assigns (individually and collectively, the "Indemnified Parties"), and each of them, from and against all liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties, and expenses, including direct and vicarious liability of every kind (collectively, "Claims"), incurred in connection with or arising in whole or in part from: (a) any accident, injury to or death of a person (including Partnership's employees), or loss of or damage to property, howsoever or by whomsoever caused, occurring in or about the Property; (b) any default by Partnership in the observation or performance of any of the terms, covenants, or conditions of the Sublease to be observed or performed on Partnership's part; (c) the use or occupancy or manner of use or occupancy of the Property by Partnership, its Agents, its Invitees, or any person or entity claiming through or under any of them; (d) the condition of the Property; (e) any construction or other work undertaken by Partnership on the Property whether before or during the Term; or (f) any acts, omissions, or negligence of Partnership, its Agents, or its Invitees, in, on, or about the Property, all regardless of the active or passive negligence of, and regardless of whether liability without fault is imposed or sought to be imposed on, the Indemnified Parties, except to the extent that the Indemnity is void or otherwise unenforceable under applicable Legal Requirements and further except only those Claims as are caused exclusively by the willful misconduct or active gross negligence of the Indemnified Parties. The foregoing Indemnity includes reasonable fees of attorneys, consultants, and experts and related costs and the City's costs of investigating any Claim. Partnership expressly acknowledges that Partnership has an immediate and independent obligation to defend the City from any Claim that actually or potentially falls within this indemnity provision even if the allegation is or may be groundless, fraudulent, or false, which obligation arises at the time the Claim is tendered to Partnership by the City and continues at all times thereafter. Partnership's obligations under this section will survive the expiration or termination of the Sublease.

Insurance.

Partnership's Insurance.

(a) *At no cost to the City, Partnership will procure and keep in effect at all times during the Term insurance as follows:*

(i) Commercial general liability insurance with limits not less than One Million Dollars (\$1,000,000) combined single limit per occurrence and Two Million Dollars (\$2,000,000) annual aggregate limit for bodily injury and property damage, including coverage for contractual liability; personal injury; fire damage legal liability; advertisers' liability; owners' and contractors' protective liability; products and completed operations; broad form property damage; and explosion, collapse and underground (XCU).

(ii) Umbrella Liability coverage in amount of not less than Ten Million Dollars (\$10,000,000).

(iii) Commercial Automobile Liability insurance, with limits not less than One Million Dollars (\$1,000,000) each occurrence, combined single limit for bodily injury and property damage, including owned, hired and non-owned auto coverage, as applicable.

(iv) Worker's Compensation Insurance with Employer's Liability limits not less than One Million Dollars (\$1,000,000) each accident, if applicable.

(v) Business automobile liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including owned and non-owned and hired vehicles, as applicable, if Partnership uses automobiles in connection with its use of the Property.

(vi) Rental interruption insurance ("Rental Interruption Insurance") covering an abatement of the City's obligation to make the Rent Payments as a result of a loss, total or partial, covered by the Property Insurance impairing the Borrower's ability to operate its business at the Property in an amount equal to the annual Rent Payments for a period of at least one (1) year (for two (2) years if available on the open market from reputable insurance companies at a reasonable cost, as determined by the Borrower). Rental Interruption Insurance will name the Trustee as a beneficiary.

(vii) Licensed professionals (i.e., architects, engineers, certified public accountants, etc.) will provide professional liability insurance with limits not less than \$1,000,000 each claim with respect to negligent acts, errors, or omissions in connection with professional services to be provided under the Sublease or to the Property.

(viii) (A) Property insurance, excluding earthquake and flood, in the amount no less than one hundred percent (100%) of the replacement value of all completed improvements and property in the care, custody and control of the Partnership or its contractor. For rehabilitation/construction projects that are unoccupied by residential or commercial tenants, tenants must obtain property insurance by the date that the project receives a certificate of substantial completion; and (B) boiler and machinery insurance, comprehensive form, covering damage to, loss or destruction of machinery and equipment located on the Development that is used by the Partnership for heating, ventilating, air-conditioning, power generation and similar purposes, in an amount not less than one hundred percent (100%) of the actual replacement value of such machinery and equipment with a deductible not to exceed Twenty Five Thousand Dollars (\$25,000) each loss.

(ix) Other insurance as is generally required by commercial owners of buildings similar in size, character, age, and location as the Property, as may change from time to time, and insurance that is required pursuant to the Ground Lease.

(b) If any of the required insurance is provided under a claims-made form, Partnership will maintain the coverage continuously throughout the Term and, without lapse, for a period of three (3) years beyond the expiration or termination of the Sublease, to the effect that, if occurrences during the Term give rise to claims made after expiration or termination of the Sublease, those claims will be covered by the claims-made policies. Partnership's obligations under this section will survive the expiration or termination of the Sublease.

(c) If any of the required insurance is provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in the general annual aggregate limit, the general aggregate limit will be double the occurrence or claims limits specified above.

(d) All liability insurance policies will be endorsed to provide the following:

(i) Name as additional insured the City and County of San Francisco, its officers, agents, and employees.

(ii) That the policies are primary insurance to any other insurance available to the additional insureds, with respect to any claims arising out of the Sublease, and that insurance applies separately to each insured against whom claim is made or suit is brought.

(e) Each insurance policy required under subsection (a) above will be issued by an insurance company licensed in the State of California and with a general policyholders' rating of "A " or better and a financial size ranking of "Class VIII" or higher in the most recent edition of Best's Insurance Guide.

(f) All insurance policies required to be maintained by Partnership will be endorsed to provide thirty (30) days' prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to both Partnership and the City. If Partnership's insurer refuses to offer this endorsement, Partnership will promptly provide the thirty (30) day's prior written notice of cancellation, intended non-renewal, or reduction in coverage to the City. Notice to the City will be mailed to the addresses for the City set forth in the "Notices, Demands and Communications" provisions of the Sublease.

(g) On or before the Effective Date, Partnership will deliver to the City certificates of insurance and additional insured policy endorsements from insurers in a form satisfactory to the City, evidencing the coverage required under the Sublease, together with complete copies of the policies and at any other time promptly after the City's request. During the Term, Partnership will provide the City with certificates or policies at least thirty (30) days before the expiration dates of expiring policies. If Partnership fails to procure the required insurance, or to deliver the policies or certificates, then at its option and without waiving any rights or remedies that the City may have for Partnership's default, the City may procure the insurance for Partnership's account, and Partnership will pay the cost to the City within five (5) days after delivery to Partnership of invoices therefor.

(h) On the City's request, Partnership and the City will periodically review the limits and types of insurance carried under this section. If the general commercial practice in San Francisco is to carry liability insurance in an amount or coverage materially greater than the amount or coverage then being carried by Partnership for risks comparable to those associated with the Property, then, at the City's request, Partnership will increase the amounts or coverage carried by Partnership to conform to the general commercial practice.

(i) Partnership's compliance with the provisions of this section will in no way relieve or decrease Partnership's liability under the "Partnership's Indemnity" provisions of the Sublease, or any of Partnership's other obligations under the Sublease.

Partnership's Personal Property. At no cost to the City, Partnership is responsible for separately insuring Partnership's personal property.

No Insurance Obligation by the City. Partnership acknowledges and agrees that the City has no obligation under the Sublease to carry any third party insurance coverage for the Property or otherwise.

Waiver of Subrogation. Notwithstanding anything to the contrary in the Sublease, the City and Partnership (each a "Waiving Party") each waives any right of recovery against the other party for any loss or damage relating to the Property or any operations or contents, whether or not the loss is caused by the fault or negligence of the other party, to the extent the loss or damage is covered by third-party insurance that is required to be purchased by the Waiving Party under the Sublease or is actually covered by insurance held by the Waiving Party or its Agents. Each Waiving Party will obtain a waiver of subrogation rights endorsements from applicable insurance carriers issuing policies relating to the Property; provided, the failure to obtain the endorsement will not affect the above waiver.

Hazardous Materials.

Definitions. As used in the Sublease:

(a) "Environmental Laws" means all present or future Legal Requirements relating to Hazardous Material (including its use, handling, transportation, production, disposal, discharge, or storage), or to health and safety, industrial hygiene, or the environment, including soil, air, and groundwater conditions.

(b) "Hazardous Material" means any material that, because of its quantity, concentration, or physical or chemical characteristics, is at any time, now or later, deemed by any federal, state, or local governmental authority to pose a present or potential hazard to human health, welfare, or safety or to the environment. Hazardous

Material includes any material or substance defined as a “hazardous substance,” “pollutant,” or “contaminant” under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, (42 U.S.C. Section 9601 et seq.) or under Section 25316 of the California Health & Safety Code; any “hazardous waste” listed under Section 25140 of the California Health & Safety Code; and petroleum, including crude oil or any fraction thereof, natural gas, or natural gas liquids.

(c) “Investigate” and “Investigation” means undertaking any activities to determine the nature and extent of Hazardous Material that may be located in, on, under, or about the Property or that has been, are being or threaten to be Released into the environment; “Remediate” and “Remediation” means to clean up, remove, contain, treat, stabilize, monitor, or otherwise control the Hazardous Material.

(d) “Release” when used with respect to Hazardous Material includes any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside the Premises, or in, on, under, or about any other part of the Property or into the environment.

No Hazardous Materials. Neither Partnership nor any of its Agents or Invitees will cause or permit any Hazardous Material to be brought on, kept, used, stored, generated or disposed of in, on, or about the Property, or transported to or from the Property. Partnership will give the City immediate written notice of: (a) any action, proceeding, or inquiry by any governmental authority (including the California State Department of Health Services, the State or any Regional Water Quality Control Board, the Bay Area Air Quality Management District, or any local governmental entity) against Partnership with respect to the presence or Release or suspected presence or Release of Hazardous Material on the Property or the migration thereof from or to other property; (b) all demands or claims made or threatened by any third party against Partnership or the Property relating to any loss or injury resulting from any Hazardous Materials; (c) any Release of Hazardous Material on or about the Property that has occurred and may require any Investigation or Remediation; and (d) all matters of which Partnership is required to give notice under Section 25359.7 of the California Health and Safety Code.

Partnership’s Environmental Indemnity. If Partnership breaches any of its obligations contained in this section, or, if any act or omission of Partnership, its Agents, or its Invitees results in any Release of Hazardous Material in, on, under, or about the Premises or any other part of the Property in violation of any applicable Environmental Laws, then, without limiting Partnership’s Indemnity contained in the “Partnership’s Indemnity” provisions of the Sublease, on behalf of itself and its successors and assigns, Partnership will Indemnify the Indemnified Parties, and each of them, from and against all Claims (including damages for decrease in value of the Property, the loss or restriction of the use of rentable or usable space or of any amenity of the Property, and sums paid in settlement of claims, attorneys’ fees, consultants’ fees, and experts’ fees and costs) arising during or after the Term and relating to the Release except only those Claims resulting exclusively from the willful misconduct or active gross negligence of the Indemnified Parties. The foregoing Indemnity includes costs incurred in connection with activities undertaken to Investigate and Remediate Hazardous Material and to restore the Property to its prior condition, fines and penalties assessed for the violation of any applicable Environmental Laws, and any natural resource damages. Without limiting the foregoing, if Partnership or any of its Agents or Invitees causes or permits the Release of any Hazardous Materials in, on, under, or about the Premises or any other part of the Property, Partnership will immediately and at no expense to the City take all appropriate actions to return the Property affected by the Release to the condition existing before the Release and otherwise Investigate and Remediate the Release in accordance with all Environmental Laws. Partnership expressly acknowledges that Partnership has an immediate and independent obligation to defend the City from any claim which actually or potentially falls within this indemnity provision even if the allegation is or may be groundless, fraudulent, or false, and this obligation arises at the time the claim is tendered to Partnership by the City and continues at all times thereafter. Partnership will afford the City a full opportunity to participate in any discussions with governmental regulatory agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree, or other compromise or proceeding involving Hazardous Material.

Survival of Obligation. Partnership’s obligations under this section will survive the expiration or earlier termination of the Sublease.

Right of Entry and Inspection. The City will have the right to enter the Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the City’s rights or obligations under the Sublease and for all other lawful purposes.

Liens. The Partnership will keep the Property free of all liens and encumbrances except Permitted Encumbrances (as such term is defined in the Bond Regulatory Agreement). In the event the Partnership will at any time during the term of the Sublease cause any improvements to the Property to be constructed or materials to be supplied in or upon or attached to the Property, the Partnership will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the Partnership in, upon, about or relating to the Property or the Partnership's interest therein, except for the Property or the Partnership's interest therein, the Partnership will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the Partnership desires to contest any such lien it may do so. If any such lien will be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the Partnership will forthwith pay or cause to be paid and discharged such judgment.

Assignment, Subleasing, Mortgaging and Selling

Assignment and Subleasing. The Sublease may not be sold or assigned and the Property further subleased, as a whole or in part, by the Partnership without the prior written consent of the City. Notwithstanding the foregoing, any single unit in the Project may be leased to an income-eligible occupant in compliance with the Ground Lease and the Lease Agreement.

Restrictions on the City. The City agrees that it will not mortgage, sell, encumber, assign, transfer or convey its interest in the Property or any portion thereof during the Term without the prior written consent of the Partnership, which will not be unreasonably withheld, delayed, or conditioned.

Default

Event of Default. Each of the following will constitute a "Default" by a Party:

(a) **Breach of Covenants.** Failure by a Party to duly perform, comply with, or observe any of the conditions, terms, or covenants of the Agreement, the Lease Agreement, the Operating Subsidy Agreement or the Tenant Services Subsidy Agreement and such failure having continued uncured for sixty (60) days after receipt of written notice thereof from the non-defaulting Party to the defaulting Party, or if the breach cannot be cured within sixty (60) days, the defaulting Party will not be in breach so long as the defaulting Party is diligently undertaking to cure such breach to the reasonable satisfaction of the non-defaulting Party.

(b) **City's Remedies.** On the occurrence of any Default by the Partnership that extends beyond the applicable notice and cure periods set forth in the Sublease, the Limited Partner will propose a replacement general partner of the Partnership (subject to the reasonable approval of the City). In the event that the Limited Partner fails to propose an acceptable replacement general partner of the Partnership, the City will be entitled to: (A) select a replacement general partner to the partnership (subject to the reasonable approval of the Limited Partner); or (B) any remedy available under applicable law (other than termination of the Sublease), including: (i) specific performance; or (ii) recovering money damages. In addition, to the extent applicable, the City will specifically be entitled to the remedies set forth in California Civil Code Sections 1951.2 and 1951.4, each of which are incorporated into the Sublease. Notwithstanding any other provision in the Sublease, in no event will the City have the right to terminate the Sublease.

Waiver. The waiver by the Partnership of any breach by the City, and the waiver by the City of any breach by the Partnership, of any term, covenant or condition of the Sublease will not operate as a waiver of any subsequent breach of the same or any other term, covenant or condition of the Sublease.

Miscellaneous

Amendments, Changes and Modifications. The Sublease may be amended, changed, modified, altered or terminated only in writing by the Parties. Whenever the Sublease requires or permits City's consent or approval, the Director of Property or his or her designee will be authorized to provide the consent or approval, except as otherwise

provided by applicable Legal Requirements, including the Charter. Any amendments or modifications to the Sublease, including amendments to or modifications to the exhibits to the Sublease, are subject to the mutual written agreement of City and Partnership, and City's agreement may be made upon the sole approval of the Director of Property, or his or her designee; provided, however, (a) changing the legal description of the Property, (b) increasing the Term, (c) increasing the Rent, (d) changing the general use of the Premises from the use authorized under the Sublease, and (e) any other amendment or modification that materially increases City's liabilities or financial obligations under the Sublease may also require the approval of City's Board of Supervisors.

Applicable Law; Venue. The Sublease will be governed by and construed in accordance with the laws of the State of California. In the event any legal action is commenced to interpret or to enforce the terms of the Agreement or to collect damages as a result of any breach thereof, the venue for such action will be the Superior Court of the City and County of San Francisco.

Landowner and Limited Partner as Third-Party Beneficiaries. The Landowner is an express third-party beneficiary of the Sublease, with a direct right of enforcement against the Parties.

Notwithstanding anything to the contrary set forth elsewhere in the Sublease, the Limited Partner will be deemed a third-party beneficiary of the provisions of the Sublease that reference the Limited Partner, and the Limited Partner will have rights to enforce such terms (as applicable). The foregoing rights of the Limited Partner to be a third-party beneficiary under the Sublease will be the only rights (express or implied) of the Limited Partner, to be a third-party beneficiary under the Sublease and all such rights will cease if the Limited Partner is no longer a partner in the Partnership.

Other than the Landowner and the Limited Partner, no other party is, or may be considered, a third-party beneficiary of the Sublease.

No Merger. If both the Partnership's and the City's estate under this or any other lease relating to the Property or any portion thereof will at any time for any reason become vested in one owner, the Sublease and the estate created thereby will 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 will 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 Bonds are outstanding.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATES

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE CERTIFICATE
\$26,985,000
CALIFORNIA HOUSING FINANCE AGENCY
REVENUE BONDS
(SAN FRANCISCO SUPPORTIVE HOUSING – 833 BRYANT APARTMENTS)
2020 ISSUE N – SOCIAL BONDS

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 and delivery by the California Housing Finance Agency (the “Issuer”) of the above-captioned revenue bonds (the “Bonds”). The Bonds are being issued pursuant to the Indenture of Trust, dated as of July 1, 2020 (the “Indenture”), between the Issuer and U.S. Bank National Association, as trustee. 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 Bonds and in order to assist the Participating Underwriter (defined below) in complying with U.S. 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 will have the following meanings:

“Annual Report” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” means any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” means Goodwin Consulting Group, Inc., acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“Holder” will mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Lease Agreement” means the Lease Agreement between the City and the Borrower (the “Lease Agreement”) to be executed and delivered by the City upon satisfaction of certain conditions on or before the Lease Delivery Deadline, as that term is defined in the Indenture.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means 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” means the original underwriter or purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City will, or will cause the Dissemination Agent to, not later than 275 days after the end of the City’s fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2019-20, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City will provide the Annual Report to the Dissemination Agent not later than 5 days prior to such date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City will submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City’s fiscal year changes, it will give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City will send, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent will (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City’s Annual Report will contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general-purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities; and

(b) a summary of budgeted general fund revenues and appropriations.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City will clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies under the Lease Agreement;
- (2) Nonpayment related defaults under the Lease Agreement, if material;
- (3) Modifications to the rights of Bondholders under the Lease Agreement, if material;
- (4) Release, substitution, or sale of property securing repayment under the Lease Agreement, if material;
- (5) Bankruptcy, insolvency, receivership or similar event of the City;
- (6) Consummation of a merger, consolidation or acquisition involving an obligated person of the sale of all or substantially all of the assets of the City, 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;
- (7) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
- (8) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City will, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate will terminate upon the Lease Delivery Deadline (as defined in the Indenture), unless extended, if the Lease Agreement is not executed and delivered by the City or upon the legal defeasance, prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final Bond payment date of the Bonds, the City will give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint, or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original delivery of the Bonds, 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 Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City will describe such amendment in the next Annual Report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City will have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate will be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate will inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and will create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Date: July 29, 2020

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: \$26,985,000 CALIFORNIA HOUSING FINANCE AGENCY REVENUE BONDS
(SAN FRANCISCO SUPPORTIVE HOUSING – 833 BRYANT APARTMENTS)
2020 ISSUE N – SOCIAL BONDS

Date of Delivery: July 29, 2020

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-captioned Bonds 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: _____

CONTINUING DISCLOSURE CERTIFICATE
\$26,985,000
CALIFORNIA HOUSING FINANCE AGENCY
REVENUE BONDS
(SAN FRANCISCO SUPPORTIVE HOUSING – 833 BRYANT APARTMENTS)
2020 ISSUE N – SOCIAL BONDS

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by 833 Bryant, L.P., a California limited partnership (the “Borrower”) in connection with the issuance and delivery by the California Housing Finance Agency (the “Issuer”) of the above-captioned revenue bonds (the “Bonds”). The Bonds are being issued pursuant to the Indenture of Trust dated as of July 1, 2020 (the “Indenture”) between the Issuer and U.S. Bank National Association, as trustee. The Borrower covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Borrower for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter (defined below) in complying with U.S. 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 will have the following meanings:

“Annual Report” means any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” means any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” means the Borrower, acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the Borrower and which has filed with the Borrower a written acceptance of such designation.

“Financial Obligation” means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b).

“Holder” means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means 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” means the original underwriter or purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means 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 Borrower will, or will cause the Dissemination Agent to, not later than March 31 of each year, commencing on March 31, 2021 with the report for fiscal year ending December 31, 2020, 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 Borrower, the Borrower will provide the Annual Report to the Dissemination Agent not later than 5 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 Borrower are not available by the date required above for the filing of the Annual Report, the Borrower will submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the Borrower’s fiscal year changes, it will give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the Borrower is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Borrower will send, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent will file a report with the Borrower certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The Borrower’s Annual Report will contain or incorporate by reference the following information, as required by the Rule:

(a) prior to such time as a temporary certificate of occupancy (“TCO”) has been duly and validly issued by the San Francisco Department of Building Inspection of the City and County of San Francisco (the “City”) for the Project, a summary of the status of construction of the Project, including the: (i) percentage of Project construction completed, (ii) remaining milestones to obtaining the TCO for the Project, and (iii) then current estimated date of issuance for the TCO.

(b) following delivery of a TCO for the Project, the audited general-purpose financial statements of the Borrower; and

(c) from the date of issuance of the Bonds until no Bonds remain Outstanding under the Indenture, a statement as to whether or not operating subsidy agreements for the Project have been executed and delivered by the City and the Borrower for the upcoming calendar year.

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 Borrower, 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 Borrower will clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the Borrower will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, 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 or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the Borrower, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Borrower, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Borrower, any of which reflect financial difficulties.

(b) Whenever the Borrower obtains knowledge of the occurrence of a Listed Event, the Borrower will, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The Borrower's obligations under this Disclosure Certificate will terminate upon the legal defeasance, prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final Bond payment date of the Bonds, the Borrower will give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Borrower 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 Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original delivery of the Bonds, 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 Bonds or (ii) does not, in the opinion 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 Borrower will describe such amendment in the next Annual Report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate will be deemed to prevent the Borrower 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 Borrower 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 Borrower will have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the Borrower to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to cause the Borrower to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the Borrower to comply with this Disclosure Certificate will be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate will inure solely to the benefit of the Borrower, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and will create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Date: July 29, 2020

833 BRYANT, L.P., a California limited partnership

By: 833 Bryant LLC, a California limited
liability company, its general partner

By: Mercy Housing Calwest, a California
nonprofit public benefit corporation,
its sole member/manager

By: _____
Name: Barbara Gualco
Its: Vice President

CONTINUING DISCLOSURE CERTIFICATE – EXHIBIT A

**FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Borrower: 833 BRYANT, L.P., a California limited partnership

Name of Issue: \$26,985,000 CALIFORNIA HOUSING FINANCE AGENCY REVENUE BONDS
(SAN FRANCISCO SUPPORTIVE HOUSING – 833 BRYANT APARTMENTS)
2020 ISSUE N – SOCIAL BONDS

Date of Delivery: July 29, 2020

NOTICE IS HEREBY GIVEN that the Borrower has not provided an Annual Report with respect to the above-captioned Bonds as required by Section 3 of the Continuing Disclosure Certificate of the Borrower, dated the Date of Delivery. The Borrower anticipates that the Annual Report will be filed by _____.

Dated: _____

833 BRYANT, L.P., a California limited partnership

By: 833 Bryant LLC, a California limited
liability company, its general partner

By: Mercy Housing Calwest, a California
nonprofit public benefit corporation,
its sole member/manager

By: [to be signed only if filed]

Name: _____

Its: _____

APPENDIX F

FORM OF BOND COUNSEL OPINION

Upon issuance of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

[Closing Date]

California Housing Finance Agency
Sacramento, California

California Housing Finance Agency
Revenue Bonds (San Francisco Supportive Housing – 833 Bryant Apartments)
2020 Issue N – Social Bonds
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Housing Finance Agency (the “Issuer”) in connection with the issuance of its Revenue Bonds (San Francisco Supportive Housing – 833 Bryant Apartments) 2020 Issue N – Social Bonds in the aggregate principal amount of \$26,985,000 (the “Bonds”). The Bonds are issued pursuant to the provisions of Division 31, Parts 1 through 4 of the California Health and Safety Code, as amended, and an Indenture of Trust, dated as of July 1, 2020 (the “Indenture”), by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Regulatory Agreement, the Tax Certificate, opinions of counsel to the Issuer, 833 Bryant, L.P., a California limited partnership (the “Borrower”), the Trustee and others, certificates of the Issuer, the Trustee, the Borrower 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 original delivery of the Bonds on 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 original delivery of the Bonds on 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 Bonds 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 Issuer. 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 Indenture, the Loan Agreement, the

Regulatory Agreement 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 interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement, the Regulatory Agreement 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 the State of California (the "State"). We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of 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 lien of the Indenture or the Loan 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 any disclosures relating to the Bonds 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 Bonds constitute the valid and binding limited obligations of the Issuer, payable solely from the Trust Estate.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of, premium, if any, and interest on the Bonds, of the Trust Estate, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Bonds do not constitute a debt or liability of the Issuer, the State or any political subdivision thereof, or a pledge of the faith and credit of the State or any such political subdivision, other than the Issuer to the extent provided in the Indenture.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Bond for any period that such Bond is held by a "substantial user" of the facilities financed or refinanced by the Bonds or by a "related person" to a "substantial user" within the meaning of Section 147(a) of the Code. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Bonds is exempt from State personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX G

BOOK-ENTRY SYSTEM

The following description of DTC and its book-entry system has been provided by DTC and has not been verified for accuracy or completeness by the Authority, the Corporation or the County, and none of the Authority, the Corporation or the County shall have any liability with respect thereto. None of the Authority, the Corporation or the County shall have any responsibility or liability for any aspects of the records maintained by DTC relating to or payments made on account of beneficial ownership, or for maintaining, supervising, or reviewing any records maintained by DTC relating to beneficial ownership, of interests in the Bonds.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds 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 Bond will be issued for each annual maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on this website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 Bonds 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 Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds 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 Authority or the 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, the Trustee, or the Authority, 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 Authority or the 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

APPENDIX H

INFORMATION REGARDING THE LETTER OF CREDIT PROVIDER

Citibank was originally organized on June 16, 1812, and now is a national banking association organized under the National Bank Act of 1864. Citibank is an indirect wholly owned subsidiary of Citigroup Inc. (“Citigroup”), a Delaware holding company.

The long-term ratings of Citibank and its consolidated subsidiaries are as follows:

Rating Agency	Long-Term	Short-Term	Outlook
Moody’s	Aa3	P-1	Stable
S&P	A+	A-1	Stable
Fitch	A+	F1	Stable

Citibank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world. As a national bank, Citibank is a regulated entity permitted to engage only in banking and activities incidental to banking. Citibank is primarily regulated by the Office of the Comptroller of the Currency (the “Comptroller”), which also examines its loan portfolios and reviews the sufficiency of its allowance for credit losses.

Citibank’s deposits at its U.S. branches are insured by the Federal Deposit Insurance Corporation (the “FDIC”) and are subject to FDIC insurance assessments. The Letter of Credit is not insured by the FDIC or any other regulatory agency of the United States or any other jurisdiction. Citibank may, under certain circumstances, be obligated for the liabilities of its affiliates that are FDIC-insured depository institutions.

Under U.S. law, deposits in U.S. offices and certain claims for administrative expenses and employee compensation against a U.S. insured depository institution which has failed will be afforded a priority over other general unsecured claims, including deposits in non-U.S. offices and claims under non-depository contracts in all offices, against such an institution in the “liquidation or other resolution” of such an institution by any receiver. Such priority creditors (including the FDIC, as the subrogee of insured depositors) of such FDIC-insured depository institution will be entitled to priority over unsecured creditors in the event of a “liquidation or other resolution” of such institution.

For further information regarding Citibank, reference is made to the Annual Report on Form 10-K of Citigroup and its subsidiaries for the year ended December 31, 2019, filed by Citigroup with the Securities and Exchange Commission (the “SEC”). Copies of Citigroup’s 10-K may be obtained, upon payment of a duplicating fee, by writing to the SEC at 100 F Street, N.E., Washington, D.C. 20549. In addition, Citigroup’s 10-K is available at the SEC’s web site (<http://www.sec.gov>).

In addition, Citibank submits quarterly to the Comptroller certain reports called “Consolidated Reports of Condition and Income for a Bank With Domestic and Foreign Offices” (“Call Reports”). The Call Reports are on file with, and publicly available at, the Comptroller’s offices at 250 E Street, SW, Washington, D.C. 20219 and are also available on the web site of the FDIC (<http://www.fdic.gov>). Each Call Report consists of a Balance Sheet, Income Statement, Changes in Equity Capital and other supporting schedules at the end of and for the period to which the report relates.

Any of the reports referenced above are available upon request without charge from Citi Document Services by calling toll-free at (877) 936-2737 (outside the United States at (716) 730-8055), by e-mailing a request to docserve@citi.com or by writing to: Citi Document Services, 540 Crosspoint Parkway, Getzville, New York 14068.

The information contained in this Appendix H relates to and has been obtained from Citibank. The information concerning Citibank contained herein is furnished solely to provide limited introductory information regarding Citibank and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced above.



Printed by: ImageMaster, LLC
www.imagemaster.com