

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Bond Counsel, interest on the Bonds is exempt from California personal income taxes. Interest on the Bonds is not excluded from gross income for federal income tax purposes. See "TAX MATTERS."



\$75,130,000
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2015),
SERIES 2016F

Dated: Date of Delivery

Due: June 15, as shown in the inside cover

The City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2015), Series 2016F (the "Bonds") are being issued under the Government Code of the State of California and the Charter of the City and County of San Francisco (the "City"). The issuance of the Bonds has been authorized by certain resolutions adopted by the Board of Supervisors of the City and duly approved by the Mayor of the City, as described under "THE BONDS – Authority for Issuance; Purposes." The proceeds of the Bonds will be used to finance certain affordable housing improvements and related costs as described herein, and to pay certain costs related to the issuance of the Bonds. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."

The Bonds will be dated and bear interest from their date of delivery until paid in full at the rates shown in the maturity schedule on the inside cover hereof. Interest on the Bonds will be payable on June 15 and December 15 of each year, commencing June 15, 2017. Principal will be paid at maturity as shown on the inside cover. See "THE BONDS – Payment of Interest and Principal." The Bonds will be issued only in fully registered form without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by the City Treasurer, as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Form and Registration."

The Bonds will be subject to redemption prior to maturity, as described herein. See "THE BONDS – Redemption."

The Board of Supervisors has the power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property subject to taxation by the City (except certain property which is taxable at limited rates) for the payment of the Bonds and the interest thereon when due. See "SECURITY FOR THE BONDS."

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

MATURITY SCHEDULE

(See Inside Cover)

The Bonds are offered when, as and if issued by the City and accepted by the initial purchaser, subject to the approval of legality by Jones Hall, A Professional Law Corporation, San Francisco, California, and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by its City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about November 1, 2016.

Dated: October 19, 2016.

\$75,130,000
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2015),
SERIES 2016F

MATURITY SCHEDULE
(Base CUSIP[†] Number: 797646)

\$55,505,000 Serial Bonds

Maturity Date (June 15)	Principal Amount	Interest Rate	Price/Yield	CUSIP[†] Suffix
2017	\$22,070,000	2.00%	0.92%	S49
2018	2,265,000	2.00	1.05	S56
2019	2,310,000	2.00	1.25	S64
2020	2,355,000	2.00	1.42	S72
2021	2,400,000	2.00	1.57	S80
2022	2,450,000	2.00	1.92	S98
2023	2,500,000	2.00	2.02	T22
2024	2,550,000	2.19	100.00	T30
2025	2,605,000	2.29	100.00	T48
2026	2,665,000	2.39	100.00	T55
2027	2,725,000	2.49	100.00	T63
2028	2,795,000	2.59	100.00	T71
2029	2,870,000	2.69	100.00	T89
2030	2,945,000	2.79	100.00	T97

\$19,625,000 3.10% Term Bonds due June 15, 2036 Price 100.00% CUSIP[†] No. 797646U20

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the City nor the initial purchaser take any responsibility for the accuracy of such numbers.

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

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

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

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

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.



CITY AND COUNTY OF SAN FRANCISCO

MAYOR

Edwin M. Lee

BOARD OF SUPERVISORS

London Breed, *Board President, District 5*

Eric Mar, *District 1*
Mark Farrell, *District 2*
Aaron Peskin, *District 3*
Katy Tang, *District 4*
Jane Kim, *District 6*

Norman Yee, *District 7*
Scott Wiener, *District 8*
David Campos, *District 9*
Malia Cohen, *District 10*
John Avalos, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

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

PROFESSIONAL SERVICES

Paying Agent and Registrar

Treasurer of the City and County of San Francisco

Co-Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Amira Jackmon, Attorney at Law
Berkeley, California

Co-Financial Advisors

Public Resources Advisory Group
Oakland, California

Ross Financial
San Francisco, California

Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California



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OFFICIAL STATEMENT

\$75,130,000

**CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2015),
SERIES 2016F**

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the public offering by the City and County of San Francisco (the “City”) of its City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2015), Series 2016F (the “Bonds”). The Board of Supervisors of the City has the power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property subject to taxation by the City (except certain property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds when due. See “SECURITY FOR THE BONDS” herein.

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

Quotations from and summaries and explanations of the Bonds, the resolutions providing for the issuance and payment of the Bonds, and provisions of the constitution and statutes of the State of California (the “State”), the charter of the City (the “Charter”) and City ordinances, and other documents described herein, do not purport to be complete, and reference is made to said laws and documents for the complete provisions thereof. Copies of those documents and information concerning the Bonds are available from the City through the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102-4682. Reference is made herein to various other documents, reports, websites, etc., which were either prepared by parties other than the City, or were not prepared, reviewed and approved by the City with a view towards making an offering of public securities, and such materials are therefore not incorporated herein by such references nor deemed a part of this Official Statement.

THE CITY AND COUNTY OF SAN FRANCISCO

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the “Bay”). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour’s drive to the north. The City’s population in fiscal year 2014-15 was approximately 864,400.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (collectively, the “Bay Area”). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial

services, corporate headquarters, international and wholesale trade, multimedia and advertising, biotechnology and higher education.

The City is a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during the calendar year 2014, approximately 18.01 million people visited the City and spent an estimated \$10.67 billion during their stay. The City is also a leading center for financial activity in the State and is the headquarters of the Twelfth Federal Reserve District, the Eleventh District Federal Home Loan Bank, and the San Francisco Regional Office of Thrift Supervision.

The City benefits from a highly skilled, educated and professional labor force. The per-capita personal income of the City for fiscal year 2014-15 was \$75,930. The San Francisco Unified School District operates 16 transitional kindergarten schools, 72 elementary and K-8 school sites, 12 middle schools, 18 senior high schools (including two continuation schools and an independent study school), and 46 State-funded preschool sites, and sponsors 13 independent charter schools. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific’s School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, the California Culinary Academy, and the Academy of Art University.

San Francisco International Airport (“SFO”), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County and owned and operated by the City, is the principal commercial service airport for the Bay Area and one of the nation’s principal gateways for Pacific traffic. In fiscal year 2015-16, SFO serviced approximately 51.4 million passengers and handled 451,501 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District (electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway, operated by the City, provides bus and streetcar service within the City. The Port of San Francisco (the “Port”), which administers 7.5 miles of Bay waterfront held in “public trust” by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities and natural resource protection.

The City is governed by a Board of Supervisors elected from eleven districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. Edwin M. Lee is the 43rd and current Mayor of the City, having been elected by the voters of the City to his current term on November 3, 2015. The City’s adopted budget for fiscal years 2016-17 and 2017-18 totals \$9.59 billion and \$9.72 billion, respectively. The General Fund portion of each year’s adopted budget is \$4.86 billion in fiscal year 2016-17 and \$5.09 billion in fiscal year 2017-18, with the balance being allocated to all other funds, including enterprise fund departments, such as SFO, the San Francisco Municipal Transportation Agency, the Port Commission and the San Francisco Public Utilities Commission. The City employed 30,156 full-time-equivalent employees at the end of fiscal year 2014-15. According to the Controller of the City (the “Controller”), the fiscal year 2016-17 total net assessed valuation of taxable property in the City is approximately \$211.5 billion.

More detailed information about the City’s governance, organization and finances may be found in APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES” and in APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2015.”

THE BONDS

Authority for Issuance; Purposes

The Bonds will be issued under the Government Code of the State and the Charter. The City authorized the issuance of the Bonds by Resolution No. 407-16 and Resolution No. 408-16, both adopted by the Board of Supervisors of the City on September 20, 2016, and duly approved by the Mayor of the City on September 29, 2016 (together, the “Resolution”).

The Bonds will constitute the first series of bonds to be issued from an aggregate authorized amount of \$310,000,000 of City and County of San Francisco Taxable and Tax-Exempt General Obligation Bonds (Affordable Housing, 2015), duly approved by at least two-thirds of the voters voting on Proposition A at an election held on November 3, 2015 (“Proposition A (2015)”), to provide funds for the purposes authorized in Proposition A (2015), which are summarized as follows: to finance the construction, development, acquisition, and preservation of housing affordable to low- and middle-income households through programs that will prioritize vulnerable populations such as San Francisco’s working families, veterans, seniors, disabled persons; to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle-income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households.

The Administrative Code of the City (the “Administrative Code”) and Proposition A (2015) provide that, to the extent permitted by law, 0.1% of the gross proceeds of all proposed bonds, including the Bonds, be deposited by the Controller and used to fund the costs of the City’s independent citizens’ general obligation bond oversight committee. The committee was created by the Administrative Code and is appointed by the Board of Supervisors of the City to inform the public concerning the expenditure of general obligation bond proceeds in accordance with the voter authorization.

Form and Registration

The Bonds will be issued in the principal amounts set forth on the inside cover hereof, in the denomination of \$5,000 each or any integral multiple thereof, and will be dated their date of delivery. The Bonds will be issued in fully registered form, without coupons. The Bonds will be initially registered in the name of Cede & Co. as registered owner and nominee for The Depository Trust Company (“DTC”), which is required to remit payments of principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX E – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Payment of Interest and Principal

Interest on the Bonds will be payable on each June 15 and December 15 to maturity or prior redemption, commencing June 15, 2017, at the interest rates shown on the inside cover hereof. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The City Treasurer will act as paying agent and registrar with respect to the Bonds. The interest on the Bonds will be payable in lawful money of the United States to the person whose name appears on the Bond registration books of the City Treasurer as the owner thereof as of the close of business on the last day of the month immediately preceding an interest payment date (the “Record Date”), whether or not such day is a business day. Each Bond authenticated on or before May 31, 2017 will bear interest from the date of delivery. Every other Bond will bear interest from the interest payment date next preceding its date of authentication unless it is authenticated as of a day during the period from the Record Date next preceding any interest payment date to the interest payment date, inclusive, in which event it will bear interest from such interest payment date; provided, that if, at the time of authentication of any Bond, interest is then in default on the Bonds, such Bond will bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Bonds.

The Bonds will mature on the dates shown on the inside cover page hereof. The Bonds will be subject to redemption prior to maturity, as described below. See “– Redemption” below. The principal of the Bonds will be payable in lawful money of the United States to the owner thereof upon the surrender thereof at maturity or earlier redemption at the office of the City Treasurer.

Redemption

Optional Redemption of the Bonds

The Bonds maturing on or before June 15, 2026 will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after June 15, 2027 will be subject to optional redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and pro rata within a maturity), on or after June 15, 2026, at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption (the “Redemption Date”), without premium.

Mandatory Redemption

The Bonds maturing on June 15, 2036 will be subject to redemption prior to their stated maturity date, in part, pro rata, from mandatory sinking fund payments, on each June 15, as shown in the table below, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

Mandatory Sinking Fund Redemption Date (June 15)	Sinking Fund Payment Principal Amount
2031	\$3,025,000
2032	3,120,000
2033	3,220,000
2034	3,315,000
2035	3,420,000
2036 [†]	3,525,000

[†] Maturity

Selection of Bonds for Redemption

Whenever less than all of the outstanding Bonds are called for redemption on any one date, the City Treasurer will select the maturities of Bonds to be redeemed in the sole discretion of the City Treasurer, and whenever less than all the outstanding Bonds maturing on any one date are called for redemption on any date, the particular Bonds or portions thereof to be redeemed will be selected on a pro rata basis. If the City Treasurer does not provide DTC with the necessary information and identify the redemption as on a pro rata basis, the Bonds will be selected for redemption by lot in accordance with DTC procedures. The Bonds may be redeemed in denominations of \$5,000 or any integral multiple thereof.

Notice of Redemption

The City Treasurer will mail, or cause to be mailed, notice of any redemption of the Bonds, postage prepaid, to the respective registered owners thereof at the addresses appearing on the Bond registration books not less than 20 days and not more than 60 days prior to the Redemption Date.

Notice of redemption also will be given, or caused to be given, by the City Treasurer, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile transmission, (iii) overnight delivery service, or (iv) to the extent applicable to the intended recipient, email or similar electronic means, to (a) all organizations registered with the Securities and Exchange Commission as securities depositories and (b) such other services or organizations as may be required in accordance with the Continuing Disclosure Certificate. See “CONTINUING DISCLOSURE” and APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” herein.

Each notice of redemption will (a) state the Redemption Date; (b) state the redemption price; (c) state the maturity dates of the Bonds called for redemption, and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Bonds of such maturity to be redeemed, and in the case of a Bond redeemed in part only, the respective portions of the principal amount thereof to be redeemed; (d) state the CUSIP number, if any, of each Bond to be redeemed; (e) require that such Bonds be surrendered by the owners at the office of the City Treasurer or his or her agent; and (f) give notice that interest on such Bonds or portions of such Bonds to be redeemed will cease to accrue after the designated Redemption Date. Any notice of redemption may be conditioned on the receipt of funds or any other event specified in the notice. See “– Conditional Notice; Right to Rescind Notice of Optional Redemption” below.

The actual receipt by the owner of any Bond of such notice of redemption will not be a condition precedent to redemption of such Bond, and failure to receive such notice, or any defect in such notice, will not affect the validity of the proceedings for the redemption of such Bond or the cessation of the accrual of interest on such Bond on the Redemption Date.

Effect of Notice of Redemption

When notice of optional redemption has been given as described above, and when the amount necessary for the redemption of the Bonds called for redemption (principal, premium, if any and accrued interest to the Redemption Date) is set aside for that purpose in the redemption account for the Bonds (the “Redemption Account”) established under the Resolution, the Bonds designated for redemption will become due and payable on the Redemption Date, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, those Bonds will be redeemed and paid at said redemption price out of the Redemption Account. No interest will accrue on such Bonds called for redemption after the Redemption Date and the registered owners of such Bonds will look for payment of such Bonds only to the Redemption Account. Moneys held in the Redemption Account will be invested by the City Treasurer pursuant to the City’s policies and guidelines for investment of moneys in the General Fund of the City. See APPENDIX C – “CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY.”

Conditional Notice; Right to Rescind Notice of Optional Redemption

Any notice of optional redemption may provide that such redemption is conditioned upon: (i) deposit of sufficient moneys to redeem the applicable Bonds called for redemption on the anticipated Redemption Date, or (ii) the occurrence of any other event specified in the notice of redemption. In the event that such conditional notice of optional redemption has been given and on the scheduled Redemption Date (i) sufficient moneys to redeem the Bonds have not been deposited or (ii) any other event specified in the notice of redemption did not occur, such Bonds for which notice of conditional optional redemption was given will not

be redeemed and will remain Outstanding for all purposes and the redemption not occurring will not constitute a default under the Resolution.

In addition, the City may rescind any optional redemption and notice thereof for any reason on any date prior to any Redemption Date by causing written notice of the rescission to be given to the Registered Owner of all Bonds so called for redemption. Notice of such rescission of redemption will be given in the same manner notice of redemption was originally given. The actual receipt by the Registered Owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice so mailed will not affect the validity of the rescission.

Defeasance

Payment of all or any portion of the Bonds may be provided for prior to such Bonds' respective stated maturities by irrevocably depositing with the City Treasurer (or any commercial bank or trust company designated by the City Treasurer to act as escrow agent with respect thereto): (a) an amount of cash equal to the principal amount of all of such Bonds or a portion thereof, and all unpaid interest thereon to maturity, except that in the case of Bonds which are to be redeemed prior to such Bonds' respective stated maturities and in respect of which notice of such redemption will have been given as described above or an irrevocable election to give such notice will have been made by the City, the amount to be deposited will be the principal amount thereof, all unpaid interest thereon to the Redemption Date, and premium, if any, due on such Redemption Date; or (b) Defeasance Securities (as defined below) not subject to call, except as described in the definition below, maturing and paying interest at such times and in such amounts, together with interest earnings and cash, if required, as will, without reinvestment, as certified by an independent certified public accountant, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and any premium due on the Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Bonds which are to be redeemed prior to maturity, notice of such redemption will be given as described above or an irrevocable election to give such notice will have been made by the City; then, all obligations of the City with respect to said outstanding Bonds will cease and terminate, except only the obligation of the City to pay or cause to be paid from the funds deposited as described in this paragraph, to the owners of said Bonds all sums due with respect thereto, and the tax covenant obligations of the City with respect to such Bonds; provided, that the City will have received an opinion of nationally recognized bond counsel that provision for the payment of said Bonds has been made as required by the Resolution.

As used in this section, the following terms have the meanings given below:

"Defeasance Securities" means any of the following which at the time are legal investments under the laws of the State of California for the moneys proposed to be invested therein: (1) United States Obligations (as defined below); and (2) Pre-refunded fixed interest rate municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee or paying agent has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash or United States Obligations (as defined below); (c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund or the applicable Redemption Account) are sufficient to meet the liabilities of the municipal obligations; (d) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (f) the municipal obligations are rated (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of original deposit to the escrow fund, by any two Rating Agencies (as defined below) not lower than the rating then maintained by the respective Rating Agency on such United States Obligations.

“United States Obligations” means (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds that have been stripped by request to the Federal Reserve Bank of New York in book-entry form, or (ii) any security issued by an agency or instrumentality of the United States of America that is selected by the Director of Public Finance that results in the escrow fund being rated by any two Rating Agencies (as defined below) at the time of the initial deposit to the escrow fund and upon any substitution or subsequent deposit to the escrow fund, no lower than the rating then maintained by the respective Rating Agency on United States Obligations described in (i) herein.

“Rating Agencies” means Moody’s Investors Service, Inc., Fitch Ratings, and S&P Global Ratings, or any other nationally-recognized bond rating agency that is the successor to any of the foregoing rating agencies or that is otherwise established after the date of adoption of the related Resolution.

SOURCES AND USES OF FUNDS

The following are the estimated sources and uses of funds in connection with the Bonds:

Sources

Principal Amount of Bonds	\$75,130,000
Net Original Issue Premium ⁽¹⁾	<u>327,557</u>
Total Sources of Funds	<u>\$75,457,557</u>

Uses

Deposit to Project Subaccount	\$74,551,820
Deposit to Bond Subaccount ⁽¹⁾	111,969
Underwriter’s Discount ⁽¹⁾	215,588
Oversight Committee	75,130
Costs of Issuance ⁽²⁾	<u>503,050</u>
Total Uses of Funds	<u>\$75,457,557</u>

⁽¹⁾ A portion of the net original issue premium was applied towards the underwriter’s discount, and the balance was deposited into the Bond Subaccount.

⁽²⁾ Includes fees for services of rating agencies, Co-Financial Advisors, Co-Bond Counsel, Disclosure Counsel, costs to the City, printing costs, and other miscellaneous costs associated with the issuance of the Bonds.

Deposit and Investment of Bond Proceeds

Any bid premium received upon the delivery of the Bonds, and all taxes collected for payment of the Bonds, will be deposited into a special subaccount established for the payment of the Bonds. The subaccount was created by the Resolution specifically for payment of principal of and interest on the Bonds (the “Bond Subaccount”).

All remaining proceeds of the sale of the Bonds are required to be deposited by the City Treasurer into a special subaccount within the Project Account created by the City to hold proceeds of the sale of all of the Proposition A (2015) bonds, which proceeds are required to be applied exclusively to the purposes approved by the voters in Proposition A (2015), and to pay costs of issuance of such bonds. See “THE BONDS – Authority for Issuance; Purposes.” The subaccount was created by the Resolution specifically to hold the proceeds of the Bonds (the “Project Subaccount”).

Under the Resolution, the Bond Subaccount and the Project Subaccount may each be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may commingle any of the moneys held in any such account with other City moneys, or deposit amounts credited to such accounts into a separate fund or funds for investment purposes only. All interest earned on any such account will be retained in that account. See APPENDIX C – “CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY.”

A portion of the proceeds of the Bonds will be used to pay certain costs related to the issuance of the Bonds. Up to 0.1% of the proceeds of the Bonds are required to be appropriated to fund the Citizens’ General Obligation Bond Oversight Committee, created to oversee various general obligation bond programs of the City. See “THE BONDS – Authority for Issuance; Purposes” herein.

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DEBT SERVICE SCHEDULE

The scheduled estimated debt service payable with respect to the Bonds is as follows:

City and County of San Francisco General Obligation Bonds Series 2016F⁽¹⁾⁽²⁾

Payment Date	Principal	Interest	Total Principal and Interest	Fiscal Year Total ⁽³⁾
6/15/2017	\$22,070,000	\$1,128,823	\$23,198,823	\$23,198,823
12/15/2017	-	686,390	686,390	-
6/15/2018	2,265,000	686,390	2,951,390	3,637,780
12/15/2018	-	663,740	663,740	-
6/15/2019	2,310,000	663,740	2,973,740	3,637,480
12/15/2019	-	640,640	640,640	-
6/15/2020	2,355,000	640,640	2,995,640	3,636,280
12/15/2020	-	617,090	617,090	-
6/15/2021	2,400,000	617,090	3,017,090	3,634,180
12/15/2021	-	593,090	593,090	-
6/15/2022	2,450,000	593,090	3,043,090	3,636,180
12/15/2022	-	568,590	568,590	-
6/15/2023	2,500,000	568,590	3,068,590	3,637,180
12/15/2023	-	543,590	543,590	-
6/15/2024	2,550,000	543,590	3,093,590	3,637,180
12/15/2024	-	515,667	515,667	-
6/15/2025	2,605,000	515,667	3,120,667	3,636,335
12/15/2025	-	485,840	485,840	-
6/15/2026	2,665,000	485,840	3,150,840	3,636,680
12/15/2026	-	453,993	453,993	-
6/15/2027	2,725,000	453,993	3,178,993	3,632,987
12/15/2027	-	420,067	420,067	-
6/15/2028	2,795,000	420,067	3,215,067	3,635,134
12/15/2028	-	383,872	383,872	-
6/15/2029	2,870,000	383,872	3,253,872	3,637,744
12/15/2029	-	345,270	345,270	-
6/15/2030	2,945,000	345,270	3,290,270	3,635,541
12/15/2030	-	304,188	304,188	-
6/15/2031	3,025,000	304,188	3,329,188	3,633,375
12/15/2031	-	257,300	257,300	-
6/15/2032	3,120,000	257,300	3,377,300	3,634,600
12/15/2032	-	208,940	208,940	-
6/15/2033	3,220,000	208,940	3,428,940	3,637,880
12/15/2033	-	159,030	159,030	-
6/15/2034	3,315,000	159,030	3,474,030	3,633,060
12/15/2034	-	107,648	107,648	-
6/15/2035	3,420,000	107,648	3,527,648	3,635,295
12/15/2035	-	54,638	54,638	-
6/15/2036	3,525,000	54,638	3,579,638	3,634,275
Total⁽³⁾	\$75,130,000	\$17,147,983	\$92,277,983	\$92,277,983

⁽¹⁾ A portion of the debt service will be paid from original issue premium deposited in the Bond Subaccount relating to the Bonds. See "SOURCES AND USES OF FUNDS."

⁽²⁾ Amounts are rounded off to the nearest dollar.

⁽³⁾ Totals may not add due to independent rounding of individual components.

SECURITY FOR THE BONDS

General

The Board of Supervisors of the City has the power and is obligated, and under the Resolution has covenanted, to levy *ad valorem* taxes without limitation as to rate or amount upon all property subject to taxation by the City (except certain property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds when due.

Factors Affecting Property Tax Security for the Bonds

The annual property tax rate for repayment of the Bonds will be based on the total assessed value of taxable property in the City and the scheduled debt service on the Bonds in each year, less any other lawfully available funds applied by the City for repayment of the Bonds. Fluctuations in the annual debt service on the Bonds, the assessed value of taxable property in the City, and the availability of such other funds in any year, may cause the annual property tax rate applicable to the Bonds to fluctuate. Issuance by the City of additional authorized bonds payable from *ad valorem* property taxes may cause the overall property tax rate to increase.

Discussed below are certain factors that may affect the City's ability to levy and collect sufficient taxes to pay scheduled debt service on the Bonds each year. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" for additional information on these factors.

Total Assessed Value of Taxable Property in the City. The greater the assessed value of taxable property in the City, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on bonds. The total net assessed valuation of taxable property in the City in fiscal year 2016-17 is approximately \$211.5 billion. During economic downturns, declining real estate values, increased foreclosures, and increases in requests submitted to the Assessor and the Assessment Appeals Board for reductions in assessed value have generally caused a reduction in the assessed value of some properties in the City. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PROPERTY TAXATION – Assessed Valuations, Tax Rates and Tax Delinquencies."

Natural and economic forces can affect the assessed value of taxable property in the City. The City is located in a seismically active region, and damage from an earthquake in or near the City could cause moderate to extensive or total damage to taxable property. See "Seismic Risks" below. Other natural or man-made disasters, such as flood, fire, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the Bay Area's economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Concentration of Taxable Property Ownership. The more property (by assessed value) owned by any single assessee, the more exposure of tax collections to weakness in that taxpayer's financial situation and ability or willingness to pay property taxes. For fiscal year 2014-15, no single assessee owned more than 0.52% of the total taxable property in the City. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PROPERTY TAXATION – Tax Levy and Collection."

Property Tax Rates. One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax. The total tax rate per \$100 of assessed value (including the basic countywide 1% rate required by statute) is discussed further in APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PROPERTY TAXATION – Assessed Valuations, Tax Rates and Tax Delinquencies.”

Debt Burden on Owners of Taxable Property in the City. Another measure of the debt burden on local taxpayers is total debt as a percentage of taxable property value. Issuance of general obligation bonds by the City is limited under Section 9.106 of the Charter to 3.00% of the assessed value of all taxable real and personal property located within the City’s boundaries. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City’s gross general obligation debt limit for fiscal year 2016-17 is approximately \$6.35 billion, based on a net assessed valuation of approximately \$211.5 billion. As of October 1, 2016, the City had outstanding approximately \$2.01 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.95% of the net assessed valuation for fiscal year 2016-17. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS.”

Additional Debt; Authorized but Unissued Bonds. Issuance of additional authorized bonds can cause the overall property tax rate to increase. As of October 1, 2016, the City had voter approval to issue up to \$1.62 billion in additional aggregate principal amount of new bonds payable from *ad valorem* property taxes. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – General Obligation Bonds.” In addition, the City expects that it will propose further bond measures to the voters from time to time to help meet its capital needs. The City’s most recent adopted ten-year capital plan sets forth \$32 billion of capital needs. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Capital Plan.”

City Long-Term Challenges

The following discussion highlights certain long-term challenges facing the City and is not meant to be an exhaustive discussion of challenges facing the City. Notwithstanding the City’s strong economic and financial performance during the recent recovery and despite significant City initiatives to improve public transportation systems, expand access to healthcare and modernize parks and libraries, the City faces several long-term financial challenges and risks described below.

Significant capital investments are proposed in the City’s adopted ten-year capital plan. However identified funding resources are below those necessary to maintain and enhance the City’s physical infrastructure. As a result, over \$10 billion in capital needs are deferred from the capital plan’s ten-year horizon. Over two-thirds of these unfunded needs relate to the City’s transportation and waterfront infrastructure, where state of good repair investment has lagged for decades. Mayor Edwin Lee has convened a taskforce to recommend funding mechanisms and strategies to bridge a portion of the gaps in the City’s transportation needs, but it is likely that significant funding gaps will remain even assuming the identification of significant new funding resources.

In addition, the City faces long term challenges with respect to the management of pension and post-employment retirement obligations. The City has taken significant steps to address long-term unfunded liabilities for employee pension and other post-employment benefits, including retiree health obligations, yet significant liabilities remain. In recent years, the City and voters have adopted significant changes that should mitigate these unfunded liabilities over time, including adoption of lower-cost benefit tiers, increases to employee and employer contribution requirements, and establishment of a trust fund to set-aside funding for future retiree health costs. The financial benefit from these changes will phase in over time, however, leaving ongoing financial challenges for the City in the shorter term. Further, the size of these liabilities is based on a

number of assumptions, including but not limited to assumed investment returns and actuarial assumptions. It is possible that actual results will differ materially from current assumptions, and such changes in investment returns or other actuarial assumptions could increase budgetary pressures on the City.

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

There is no assurance that other challenges not discussed in this Official Statement may become material to investors in the future. For more information, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

Seismic Risks

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

In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2045. Such earthquakes may be very destructive. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts, and residential and business real property values.

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

Risk of Sea Level Changes and Flooding

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

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

Other Events

Seismic events, wildfires, tsunamis, and other natural or man-made events such as cybersecurity breaches may damage City infrastructure and adversely impact the City’s ability to provide municipal services. For example, in August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the “Rim Fire”), which area included portions of the City’s Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O’Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco’s drinking water), hydroelectric generator and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City’s hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City’s water and power infrastructure located in the region. In September 2010, a Pacific Gas and Electric Company (“PG&E”) high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous gas transmission and distribution pipelines owned, operated and maintained by PG&E throughout the City.

TAX MATTERS

The interest on the Bonds is not intended by the City to be excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation (“Co-Bond Counsel”), San Francisco, California, and Amira Jackmon, Attorney at Law, Berkeley, California, interest on the Bonds is exempt from California personal income taxes. The proposed form of opinion of Co-Bond Counsel with respect to the Bonds to be delivered on the date of issuance of the Bonds is set forth in APPENDIX F.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Co-Bond Counsel express no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax status of the interest on the Bonds (see "TAX MATTERS" herein) are subject to the legal opinions of Jones Hall, A Professional Law Corporation, San Francisco, California, and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Bond Counsel to the City. The signed legal opinions of Co-Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds, will be delivered to the initial purchaser of the Bonds at the time of original delivery of the Bonds.

The proposed form of the legal opinion of Co-Bond Counsel are set forth in APPENDIX F hereto. The legal opinions to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distributions of them by recirculation of this Official Statement or otherwise will create no implication that Co-Bond Counsel have reviewed or express any opinion concerning any of the matters referred to in the respective opinions subsequent to their date. In rendering their opinions, Co-Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Bonds, which Co-Bond Counsel will not have independently verified.

Co-Bond Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

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

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

PROFESSIONALS INVOLVED IN THE OFFERING

Public Resources Advisory Group, Oakland, California and Ross Financial, San Francisco, California, have served as Co-Financial Advisors to the City with respect to the sale of the Bonds. The Co-Financial Advisors have assisted the City in the City's review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the Bonds. The Co-Financial Advisors have not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Financial Advisors, Co-Bond Counsel and Disclosure Counsel will all receive compensation from the City for services rendered in connection with the Bonds contingent upon the sale and delivery of the Bonds. The City Treasurer is acting as paying agent and registrar with respect to the Bonds.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, the ability of the City to levy the ad valorem tax required to pay debt service on the Bonds, the corporate existence of the City, or the entitlement to their respective offices of the officers of the City who will execute and deliver the Bonds and other documents and certificates in connection therewith. The City will furnish to the initial purchaser of the Bonds a certificate of the City as to the foregoing as of the time of the original delivery of the Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2015-16, which is due not later than March 27, 2017, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB"). The notices of enumerated events will be filed by the City with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the purchaser of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The ratings on certain obligations of the City were upgraded by Fitch Ratings on March 28, 2013. Under certain continuing disclosure undertakings of the City, the City was required to file a notice of such upgrade with the Electronic Municipal Market Access system of the MSRB by April 11, 2013. The City filed such notice on May 17, 2013.

The City may, from time to time, but is not obligated to, post its Comprehensive Annual Financial Report and other financial information on the City Controller's web site at www.sfgov.org/controller.

RATINGS

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

SALE OF THE BONDS

The Bonds were sold at competitive bid on October 19, 2016. The Bonds were awarded to Raymond James & Associates, Inc. (the "Purchaser"), which submitted the lowest true interest cost bid, at a purchase price of \$75,241,968.83 (the "Purchase Price"). Under the terms of its bid, the Purchaser will be obligated to purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by Co-Bond Counsel, and certain other conditions to be satisfied by the City.

The Purchaser provided the reoffering prices or yields set forth on the inside cover of this Official Statement and the City takes no responsibility for the accuracy of those reoffering prices or yields. Based on the reoffering prices, the Purchase Price reflects the par amount of the Bonds, plus a net original issue premium of \$327,556.85, and less an underwriting discount (or “spread”) of \$215,588.02. The Purchaser may offer and sell Bonds to certain dealers and others at yields that differ from those stated on the inside cover. The offering prices or yields may be changed from time to time by the Purchaser.

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APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

This Appendix contains information that is current as of October 5, 2016.

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

The various reports, documents, websites and other information referred to herein are not incorporated herein by such references. The City has referred to certain specified documents in this Appendix A which are hosted on the City’s website. A wide variety of other information, including financial information, concerning the City is available from the City’s publications, websites and its departments. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded and is not a part of or incorporated into this Appendix A. The information contained in this Official Statement, including this Appendix A, speaks only as of its date, and the information herein is subject to change. Prospective investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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CITY GOVERNMENT

City Charter

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

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

Under its original charter, the City committed itself to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated Mill’s Field Municipal Airport at a site in what is now San Mateo County 14 miles south of downtown San Francisco, which would grow to become today’s San Francisco International Airport (the “Airport”). In 1969, the City acquired the Port of San Francisco (the “Port”) in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. The Airport, the Port, the Public Utilities Commission (“Public Utilities Commission”) (which now includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency (“MTA”) (which operates the San Francisco Municipal Railway or “Muni” and the Department of Parking and Traffic (“DPT”), including the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the “enterprise fund departments,” as they are not integrated into the City’s General Fund operating budget. However, certain of the enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital and the MTA receive significant General Fund transfers on an annual basis.

The Charter distributes governing authority among the Mayor, the Board of Supervisors, the various other elected officers, the City Controller and other appointed officers, and the boards and commissions that oversee the various City departments. Compared to the governance of the City prior to 1995, the Charter concentrates relatively more power in the Mayor and Board of Supervisors. The Mayor appoints most commissioners subject to a two-thirds vote of the Board of Supervisors, unless otherwise provided in the Charter. The Mayor appoints each department head from among persons nominated to the position by the appropriate commission, and may remove department heads.

Mayor and Board of Supervisors

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

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

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

TABLE A-1

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

Name	First Elected or Appointed	Current Term Expires
Eric Mar, <i>District 1</i>	2008	2017
Mark Farrell, <i>District 2</i>	2010	2019
Aaron Peskin, <i>District 3</i>	2016	2017
Katy Tang, <i>District 4</i>	2013	2019
London Breed, Board President, <i>District 5</i>	2012	2017
Jane Kim, <i>District 6</i>	2010	2019
Norman Yee, <i>District 7</i>	2012	2017
Scott Wiener, <i>District 8</i>	2010	2019
David Campos, <i>District 9</i>	2008	2017
Malia Cohen, <i>District 10</i>	2010	2019
John Avalos, <i>District 11</i>	2008	2017

Other Elected and Appointed City Officers

Dennis J. Herrera was re-elected to a four-year term as City Attorney in November 2015. The City Attorney represents the City in legal proceedings in which the City has an interest. Mr. Herrera was first elected City Attorney in December 2001. Before becoming City Attorney, Mr. Herrera had been a partner in a private law firm and had served in the Clinton Administration as Chief of Staff of the U.S. Maritime Administration. He also served as president of the San Francisco Police Commission and was a member of the San Francisco Public Transportation Commission.

Carmen Chu was elected Assessor-Recorder of the City in November 2013. The Assessor-Recorder administers the property tax assessment system of the City. Before becoming Assessor-Recorder, Ms. Chu was elected in November 2008 and November 2010 to the Board of Supervisors, representing the Sunset/Parkside District 4 after being appointed by then-Mayor Newsom in September 2007.

José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2015. The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom. Prior to being appointed Treasurer, Mr. Cisneros served as Deputy General Manager, Capital Planning and External Affairs for the MTA.

Benjamin Rosenfield was appointed to a ten-year term as Controller of the City by then-Mayor Newsom in March 2008, and was confirmed by the Board of Supervisors in accordance with the Charter. The City Controller is responsible for timely accounting, disbursement, and other disposition of City moneys, certifies the accuracy of budgets, estimates the cost of ballot measures, provides payroll services for the City’s employees, and, as the Auditor for the City, directs performance and financial audits of City activities. Before becoming Controller, Mr. Rosenfield served as the Deputy City Administrator under former City Administrator Edwin Lee from 2005 to 2008. He was responsible for the preparation and monitoring of the City’s ten-year capital plan, oversight of a

number of internal service offices under the City Administrator, and implementing the City's 311 non-emergency customer service center. From 2001 to 2005, Mr. Rosenfield worked as the Budget Director for then-Mayor Willie L. Brown, Jr. and then-Mayor Newsom. As Budget Director, Mr. Rosenfield prepared the City's proposed budget for each fiscal year and worked on behalf of the Mayor to manage City spending during the course of each year. From 1997 to 2001, Mr. Rosenfield worked as an analyst in the Mayor's Budget Office and a project manager in the Controller's Office.

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

CITY BUDGET

Overview

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

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

Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. Revenues consist largely of local property taxes, business taxes, sales taxes, other local taxes and charges for services. A significant portion of the City's revenues come in the form of intergovernmental transfers from the State and federal governments. Thus, the City's fiscal situation is affected by the health of the local real estate market, the local business and tourist economy, and by budgetary decisions made by the State and federal governments which depend, in turn, on the health of the larger State and national economies. All of these factors are almost wholly outside the control of the Mayor, the Board of Supervisors and other City officials. In addition, the State Constitution strictly limits the City's ability to raise taxes and property-based fees without a two-thirds popular vote. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein. Also, the fact that the City's annual budget must be adopted before the State and federal budgets adds uncertainty to the budget process and necessitates flexibility so that spending decisions can be adjusted during the course of the Fiscal year. See "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

Budget Process

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

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

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

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

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

November 2009 Charter Amendment Instituting Two-Year Budgetary Cycle

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

Proposition A requires four significant changes:

Specifies a two-year (biennial) budget, replacing the annual budget. Fixed two-year budgets were approved beginning in July 2012 by the Board of Supervisors for four departments: the Airport, the Port, the Public Utilities Commission and MTA. In July 2015, the Board also approved fixed two year budgets for the Library, Retirement and Child Support Services departments. All other departments prepared balanced, rolling two-year budgets.

Requires a five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The most recent five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, Budget Analyst for the Board of Supervisors and Controller's Office on December 9, 2014, for fiscal year 2015-16 through fiscal year 2019-20, to be considered by the Board of Supervisors. On December 7, 2015, a joint report, (the "Joint Report") was issued by the three offices updating budget estimates for the remaining four years of the City's five year financial plan. See "Five Year Financial Plan" below.

Charges the Controller's Office with proposing to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster recovery

and requires the City to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1 of any subsequent year.

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

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

Role of Controller; Budgetary Analysis and Projections

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

In addition, to the five year planning responsibilities established in Proposition A of November 2009, and discussed above, Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. Each year, the Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The Controller issued the most recent of these reports, the fiscal year 2015-16 Six Month Budget Status Report (the "Six Month Report"), on February 10, 2016. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's proposed budget. On June 15, 2016 the Controller released the Discussion of the Mayor's fiscal year 2016-17 and fiscal year 2017-18 Proposed Budget (the "Revenue Letter"). All of these reports are available from the Controller's website: www.sfcontroller.org. The information from said website is not incorporated herein by reference.

General Fund Results: Audited Financial Statements

The General Fund portions of the fiscal years 2015-16 and 2016-17 Original Budgets total \$4.59 billion, and \$4.68 billion respectively. This does not include expenditures of other governmental funds and enterprise fund departments such as the Airport, the MTA, the Public Utilities Commission, the Port and the City-owned hospitals (San Francisco General and Laguna Honda). Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2011-12 through 2014-15 and the Original Budgets for fiscal years 2015-16 and 2016-17. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

The City's most recently completed Comprehensive Annual Financial Report (the "CAFR" which includes the City's audited financial statements) for fiscal year 2014-15 was issued on November 23, 2015. The fiscal year 2014-15 CAFR reported that as of June 30, 2015, the General Fund available for appropriation in subsequent years was \$391 million (see Table A-4), of which \$180 million was assumed in the fiscal year 2015-16 Original Budget and \$194 million was assumed in the fiscal year 2016-17 Original Budget. This represents a \$96 million increase in available fund balance over the \$295 million available as of June 30, 2014 and resulted primarily from savings and greater-than-budgeted additional tax revenue, particularly property transfer tax, business tax and state hospital revenues in fiscal year 2014-15. The fiscal year 2015-16 CAFR is scheduled to be completed in late November 2016.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO						
Budgeted General Fund Revenues and Appropriations for						
Fiscal Years 2011-12 through 2016-17						
(000s)						
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
	Final Revised	Final Revised	Final Revised	Final Revised	Original	Original
	Budget	Budget	Budget	Budget	Budget ²	Budget ³
Prior-Year Budgetary Fund Balance & Reserves	\$427,886	\$557,097	\$674,637	\$941,702	\$183,249	\$197,662
<u>Budgeted Revenues</u>						
Property Taxes	\$1,028,677	\$1,078,083	\$1,153,417	\$1,232,927	\$1,291,000	\$1,312,000
Business Taxes	389,878	452,853	532,988	572,385	634,460	664,260
Other Local Taxes	602,455	733,295	846,924	910,430	1,062,535	1,082,629
Licenses, Permits and Franchises	24,257	25,378	25,533	27,129	27,163	27,263
Fines, Forfeitures and Penalties	7,812	7,194	4,994	4,242	4,577	4,577
Interest and Investment Earnings	6,219	6,817	10,946	6,853	10,680	11,740
Rents and Concessions	22,895	21,424	23,060	22,692	15,432	14,325
Grants and Subventions	680,091	721,837	799,188	856,336	904,187	932,015
Charges for Services	153,318	169,058	177,081	210,020	215,485	216,766
Other	14,803	13,384	14,321	21,532	31,084	6,952
Total Budgeted Revenues	\$2,930,405	\$3,229,323	\$3,588,452	\$3,864,545	\$4,196,603	\$4,272,528
Bond Proceeds & Repayment of Loans	589	627	1,105	1,026	918	881
<u>Expenditure Appropriations</u>						
Public Protection	\$991,840	\$1,058,324	\$1,102,667	\$1,158,771	\$1,223,981	\$1,267,572
Public Works, Transportation & Commerce	53,878	68,351	79,635	89,270	161,545	160,575
Human Welfare & Neighborhood Development	677,953	670,958	745,277	828,555	857,055	874,260
Community Health	573,970	635,960	703,092	703,569	787,554	814,671
Culture and Recreation	99,762	105,580	112,624	119,051	137,062	129,811
General Administration & Finance	190,014	190,151	199,709	214,958	286,871	271,667
General City Responsibilities ¹	99,274	86,527	86,516	116,322	186,068	197,290
Total Expenditure Appropriations	\$2,686,691	\$2,815,852	\$3,029,520	\$3,230,496	\$3,640,136	\$3,715,846
Budgetary reserves and designations, net	\$11,112	\$4,191	\$0	\$39,966	\$43,680	\$40,720
Transfers In	\$160,187	\$195,388	\$242,958	\$199,175	\$206,782	\$208,139
Transfers Out	(567,706)	(646,018)	(720,806)	(873,592)	(903,735)	(922,645)
Net Transfers In/Out	(\$407,519)	(\$450,630)	(\$477,848)	(\$674,417)	(\$696,953)	(\$714,506)
Budgeted Excess (Deficiency) of Sources						
Over (Under) Uses	\$253,558	\$516,375	\$756,825	\$862,394	\$0	\$0
Variance of Actual vs. Budget	299,547	146,901	184,184	373,696		
Total Actual Budgetary Fund Balance³	\$553,105	\$663,276	\$941,009	\$1,236,090	\$0	\$0

¹ Over the past five years, the City has consolidated various departments to achieve operational efficiencies. This has resulted in changes in how departments were summarized in the service area groupings above for the time periods shown.

² Fiscal year 2015-16 Final Revised Budget will be available upon release of the FY 2015-16 CAFR.

³ Fiscal year 2016-17 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.

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

The City prepares its budget on a modified accrual basis. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. The audited General Fund balance as of June 30, 2015 was \$1.1 billion (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of \$4.1 billion. Audited General Fund balances are shown in Table A-3 on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2011 through June 30, 2015.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Balances
Fiscal Years 2010-11 through 2014-15
(000s)

	2011	2012	2013	2014	2015
Restricted for rainy day (Economic Stabilization account)	\$33,439	\$31,099	\$23,329	\$60,289	\$71,904
Restricted for rainy day (One-time Spending account)	-	3,010	3,010	22,905	43,065
Committed for budget stabilization (citywide)	27,183	74,330	121,580	132,264	132,264
Committed for Recreation & Parks expenditure savings reserve	6,248	4,946	15,907	12,862	10,551
<u>Assigned, not available for appropriation</u>					
Assigned for encumbrances	57,846	62,699	74,815	92,269	137,641
Assigned for appropriation carryforward	73,984	85,283	112,327	159,345	201,192
Assigned for budget savings incentive program (citywide)	8,684	22,410	24,819	32,088	33,939
Assigned for salaries and benefits (MOU)	7,151	7,100	6,338	10,040	20,155
Total Fund Balance Not Available for Appropriation	\$214,535	\$290,877	\$382,125	\$522,062	\$650,711
<u>Assigned and unassigned, available for appropriation</u>					
Assigned for litigation & contingencies	\$44,900	\$23,637	\$30,254	79,223	131,970
Assigned for General reserve		\$22,306	\$21,818	-	-
Assigned for subsequent year's budget	159,390	104,284	122,689	135,938	180,179
Unassigned for General Reserve		-	-	45,748	62,579
Unassigned - Budgeted for use second budget year	-	103,575	111,604	137,075	194,082
Unassigned - Available for future appropriation	9,061	12,418	6,147	21,656	16,569
Total Fund Balance Available for Appropriation	\$213,351	\$266,220	\$292,512	\$419,640	\$585,379
Total Fund Balance, Budget Basis	\$427,886	\$557,097	\$674,637	\$941,702	\$1,236,090
<u>Budget Basis to GAAP Basis Reconciliation</u>					
Total Fund Balance - Budget Basis	\$427,886	\$557,097	\$674,637	\$941,702	\$1,236,090
Unrealized gain or loss on investments	1,610	6,838	(1,140)	935	1,141
Nonspendable fund balance	20,501	19,598	23,854	24,022	24,786
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(43,072)	(46,140)	(38,210)	(37,303)	(37,303)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(63,898)	(62,241)	(93,910)	(66,415)	(50,406)
Deferred Amounts on Loan Receivables	(13,561)	(16,551)	(20,067)	(21,670)	(23,212)
Pre-paid lease revenue	(1,460)	(2,876)	(4,293)	(5,709)	(5,900)
Total Fund Balance, GAAP Basis	\$328,006	\$455,725	\$540,871	\$835,562	\$1,145,196

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

Table A-4, entitled “Audited Statement of Revenues, Expenditures and Changes in General Fund Balances,” is extracted from information in the City’s CAFR for the five most recent fiscal years. Audited financial statements for the fiscal year ended June 30, 2015 are included herein as Appendix B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2015.” Prior years’ audited financial statements can be obtained from the City Controller’s website. Information from the City Controller’s website is not incorporated herein by reference. Excluded from this Statement of General Fund Revenues and Expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

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TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Audited Statement of Revenues, Expenditures and Changes in General Fund Balances
Fiscal Years 2010-11 through 2014-15¹
(000s)

	2011	2012	2013	2014	2015
Revenues:					
Property Taxes	\$1,090,776	\$1,056,143	\$1,122,008	\$1,178,277	\$1,272,623
Business Taxes ²	391,057	435,316	479,627	562,896	609,614
Other Local Taxes	608,197	751,301	756,346	922,205	1,085,381
Licenses, Permits and Franchises	25,252	25,022	26,273	26,975	27,789
Fines, Forfeitures and Penalties	6,868	8,444	6,226	5,281	6,369
Interest and Investment Income	5,910	10,262	2,125	7,866	7,867
Rents and Concessions	21,943	24,932	35,273	25,501	24,339
Intergovernmental	657,238	678,808	720,625	827,750	854,464
Charges for Services	146,631	145,797	164,391	180,850	215,036
Other	10,377	17,090	14,142	9,760	9,162
Total Revenues	\$2,964,249	\$3,153,115	\$3,327,036	\$3,747,361	\$4,112,644
Expenditures:					
Public Protection	\$950,548	\$991,275	\$1,057,451	\$1,096,839	\$1,148,405
Public Works, Transportation & Commerce	25,508	52,815	68,014	78,249	87,452
Human Welfare and Neighborhood Development	610,063	626,194	660,657	720,787	786,362
Community Health	493,939	545,962	634,701	668,701	650,741
Culture and Recreation	99,156	100,246	105,870	113,019	119,278
General Administration & Finance	175,381	182,898	186,342	190,335	208,695
General City Responsibilities	85,422	96,132	81,657	86,968	98,620
Total Expenditures	\$2,440,017	\$2,595,522	\$2,794,692	\$2,954,898	\$3,099,553
Excess of Revenues over Expenditures	\$524,232	\$557,593	\$532,344	\$792,463	\$1,013,091
Other Financing Sources (Uses):					
Transfers In	\$108,072	\$120,449	\$195,272	\$216,449	\$164,712
Transfers Out	(502,378)	(553,190)	(646,912)	(720,806)	(873,741)
Other Financing Sources	6,302	3,682	4,442	6,585	5,572
Other Financing Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	(\$388,004)	(\$429,059)	(\$447,198)	(\$497,772)	(\$703,457)
Extraordinary gain/(loss) from dissolution of the Redevelopment Agency		(815)	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$136,228	\$127,719	\$85,146	\$294,691	\$309,634
Total Fund Balance at Beginning of Year	\$191,778	\$328,006	\$455,725	\$540,871	\$835,562
Total Fund Balance at End of Year -- GAAP Basis⁴	\$328,006	\$455,725	\$540,871	\$835,562	\$1,145,196
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	\$48,070	\$133,794	\$135,795	\$178,066	\$234,273
-- Budget Basis	\$168,451	\$220,277	\$240,410	\$294,669	\$390,830

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

² Does not include business taxes allocated to special revenue fund for the Community Challenge Grant program.

⁴ Total fiscal year 2012-13 amount is comprised of \$122.7 million in assigned balance subsequently appropriated for use in fiscal year 2013-14 plus \$117.8 million unassigned balance available for future appropriations.

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

Five-Year Financial Plan

The Five-Year Financial Plan (“Plan”) is required under Proposition A, a Charter amendment approved by voters in November 2009. The Charter requires the Plan to forecast expenditures and revenues for the next five fiscal years, propose actions to balance revenues and expenditures during each year of the Plan, and discuss strategic goals and corresponding resources for City departments. Proposition A required that a Plan be adopted every two years. The City updates the Plan annually.

On December 9, 2014, the Mayor, Budget Analyst for the Board of Supervisors and the Controller’s Office issued a proposed Plan for fiscal year 2015-16 through fiscal year 2019-20, to be considered by the Board of Supervisors. The Plan projected shortfalls of \$16 million, \$88 million, \$275 million, \$376 million, and \$418 million cumulatively for fiscal years 2015-16 through fiscal year 2019-20, respectively. On March 12, 2015, the Plan was updated with the most recent information on the City’s fiscal condition. For General Fund Supported operations, the updated Plan projects budgetary shortfalls of \$21 million, \$67 million, \$289 million, and \$376 million and \$402 cumulatively over the next five fiscal years.

On December 7, 2015, the Joint Report was issued updating the Plan for fiscal year 2016-17 through fiscal year 2019-20. The Joint Report projects expenditure growth of \$972.9 million, or 21.2% from fiscal year 2015-16 budgeted amounts leading to shortfalls of \$100 million, \$240 million, \$475 million, and \$538 million cumulatively over the next four fiscal years. This is an increase of \$136 million in the projected cumulative deficit projected by the Plan update published in March 2015 (\$402 million). This increase is largely due to increases in the projected employer contribution rates for the City’s retirement system, and the adoption of several voter-approved baselines and set-asides with spending requirements without commensurate revenue increases. An update to the Joint Report was published on March 24, 2016 with the most recent forecast. The City currently projects budget shortfalls of \$86 million, \$161 million, \$555 million, and \$690 million cumulatively over the next four years, which is an increase of \$152 million from the Joint Report published in December. The increase in the projected budgetary shortfall is primarily attributable to the projected increases in salary and benefit costs tied to expected increases in the Consumer Price Index (CPI).

Increase in Employer Contribution Rates to City Retirement System: The Plan updated in March, 2015 anticipated a decline in retirement costs after fiscal year 2014-15. However, three main factors have led to a reversal of this downward trend including: lower than expected actual fiscal year 2014-15 investment earnings; updated demographic assumptions, which show that retirees are living longer and collecting pensions longer than previously expected; and an appellate court ruling against the City which found that voter-adopted changes to the conditions under which retirees could receive a supplemental COLA violated retirees’ vested rights.

The cumulative effect of these factors on employer contribution rates is significant because it reverses the downward trend anticipated by the City and employees alike. The City’s March, 2015 projections reduced overall General Fund pension contributions from approximately \$300 million annually to approximately \$260 million annually by fiscal year 2019-20. The net impact of the December, 2015 changes identified above reverse that trend, growing the employer contributions by \$104 million cumulatively through the end of the projection period. The March 2016 Joint Report update increases projected employer contributions further to account for investment losses in the current year, projected to be 5.0% through year end. This increases projected employer contributions by \$217 million cumulatively through the end of the projection period, an increase of \$113 million from the December 2015 Joint Report.

Increases in Voter Adopted Baselines and Set-Asides: Over the past several years, City voters have adopted several baselines and set-asides to provide additional funding for housing, transportation, children’s services, to increase the City’s minimum wage rate, and most recently to support legacy businesses. When voters approve additional increases to existing baselines, set-asides, or other spending increases without commensurate revenue increases from new funding sources, this grows the projected deficits and future obligations of the City and also reduces policymakers’ flexibility when balancing the budget.

While the projected shortfalls in the Plan reflect the difference in projected revenues and expenditures over the next five years if current service levels and policies continue, San Francisco’s Charter requires that each year’s budget be balanced. Balancing the budgets will require some combination of expenditure reductions and/or additional

revenues. These projections assume no ongoing solutions are implemented. To the extent budgets are balanced with ongoing solutions, future shortfalls will decrease.

Included in the updated Plan is consideration of the potential impact of a recession on the City's budgetary outlook. The base case does not assume an economic downturn due to the difficulty of predicting recessions; however, the City has historically not experienced more than six consecutive years of expansion and the current economic expansion began over six years ago. The recession scenario projects a cumulative deficit of \$858 million in fiscal year 2019-20 as compared to the base case cumulative deficit of \$538 million in fiscal year 2019-20. At a high level, the recession scenario would necessitate significant reductions in expenditures.

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

On August 1, 2016, Mayor Lee signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for fiscal years ending June 30, 2017 and June 30, 2018. This is the fifth two-year budget for the entire City. The adopted budget closed the \$100 million and \$240 million General Fund shortfalls for fiscal year 2016-17 and fiscal year 2017-18 identified in the December 2015 Plan update through a combination of increased revenues and expenditures savings. The Mayor's Budget Instructions to departments required an expenditure a reduction of 1.5 percent in fiscal year 2016-17 and an additional reduction of 1.5 percent in fiscal year 2017-18.

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

The budget for fiscal years 2016-17 and 2017-18 adheres to the City's policy limiting the use of certain nonrecurring revenues to nonrecurring expenses proposed by the Controller's Office and approved unanimously by the Board of Supervisors on November 22, 2011. The policy was approved by the Mayor on December 1, 2011 and can only be suspended for a given fiscal year by a two-thirds vote of the Board. Specifically, this policy limited the Mayor and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance (defined as General Fund prior year unassigned fund balance before deposits to the Rainy Day Reserve or Budget Stabilization Reserve in excess of the average of the previous five years), the General Fund share of revenues from prepayments provided under long-term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for or expectation of substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt or other long term obligations.

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 14% of the General Fund revenues appropriated in the budget for fiscal years 2016-17 and 2017-18, and thus changes in State revenues could have a significant impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On June 27, 2016, the Governor signed the 2016-17 State Budget, spending \$170.9 billion from the General Fund and other state funds. General Fund appropriations total \$122.5 billion, \$6.9 billion or 6% more than the final 2015-16 spending level. An increase in state revenues boosted 2015-16 spending above the levels approved by the Legislature in June 2015.

The budget agreement balances new spending with targeted one-time expenditures and preparations for the next recession. The budget makes significant investments in education, including \$2.6 billion through the Local Control Funding Formula, as well as \$1.4 billion in one-time funding for K-14 schools. Additionally, the state budget includes new commitments to expand health care and social safety net programs. The budget also allocates funding for one-time infrastructure projects for state, university, and community college facilities. Finally, the budget prepares for the next recession by increasing deposits to the Rainy Day Fund to a balance \$6.7 billion (including a one-time payment of \$2 billion), setting an additional \$1.8 billion to protect the budget from unexpected revenue shortfalls, and continuing to pay down Proposition 2 debt and liabilities.

Impact of Federal Budget Tax Increases and Expenditure Reductions on Local Finances

On December 18, 2015, the United States Congress passed a \$1.15 trillion spending measure for fiscal year 2015-16, including spending increases of \$66 billion for military and domestic programs. Of most immediate impact to the City is a provision delaying implementation of the “Cadillac Tax” from fiscal year 2017-2018 until fiscal year 2019-20. The tax is a 40% levy on certain employer sponsored health plan premiums that may apply to some City offered plans. The spending measure is expected to be signed by the President shortly. The Controller’s Office will continue to monitor federal budget changes and reflect their financial impact on the City in upcoming quarterly budget updates and long term financial plans.

Budgetary Reserves

Under the Charter, the Treasurer, upon recommendation of the City Controller, is authorized to transfer legally available moneys to the City’s operating cash reserve from any unencumbered funds then held in the City’s pooled investment fund. The operating cash reserve is available to cover cash flow deficits in various City funds, including the City’s General Fund. From time to time, the Treasurer has transferred unencumbered moneys in the pooled investment fund to the operating cash reserve to cover temporary cash flow deficits in the General Fund and other City funds. Any such transfers must be repaid within the same fiscal year in which the transfer was made, together with interest at the rate earned on the pooled funds at the time the funds were used. The City has not issued tax and revenue anticipation notes to finance short-term cash flow needs since fiscal year 1996-97. See “INVESTMENT OF CITY FUNDS – Investment Policy” herein.

The financial policies passed on April 13, 2010 codified the current practice of maintaining an annual General Reserve to be used for current-year fiscal pressures not anticipated during the budget process. The policy set the reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. The Original Budget for fiscal years 2016-17 and 2017-18 includes starting balances of \$90.4 million and \$106.5 million for the General Reserve for fiscal years 2016-17 and 2017-18, respectively. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City’s General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues during economic downturns. The intent of this policy change is to increase reserves available during a multi-year downturn.

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

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

Rainy Day Reserve

In November 2003, City voters approved the creation of the City's Rainy Day Reserve into which the previous Charter-mandated cash reserve was incorporated. Charter Section 9.113.5 requires that if the Controller projects total General Fund revenues for the upcoming budget year will exceed total General Fund revenues for the current year by more than five percent, then the City's budget shall allocate the anticipated General Fund revenues in excess of that five percent growth into two accounts within the Rainy Day Reserve and for other lawful governmental purposes. Effective January 1, 2015, Proposition C passed by the voters in November 2014 divides the existing Rainy Day Economic Stabilization Account into a City Rainy Day Reserve ("City Reserve") and a School Rainy Day Reserve ("School Reserve") with each reserve account receiving 50% of the existing balance. Additionally, any deposits to the reserve subsequent to January 1, 2015 will be allocated as follows:

- 37.5 percent of the excess revenues to the City Reserve;
- 12.5 percent of the excess revenues to the School Reserve;
- 25 percent of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
- 25 percent of the excess revenues to any lawful governmental purpose.

Fiscal year 2014-15 revenue exceeded the deposit threshold by \$119 million generating a deposit of \$47 million to the City Reserve, \$18 million to the School Reserve, and \$32 million to the One-Time or Capital Expenditures account. Deposits to the Rainy Day Reserve's Economic Stabilization account are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be allocated to capital and other one-time expenditures.

Monies in the City Reserve are available to provide a budgetary cushion in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Monies in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives. No withdrawals from the One-Time or Capital Expenditures account are budgeted in fiscal years 2016-17 or 2017-18. Between the Rainy Day City Reserve and One-Time Reserve, a balance of \$100.8 million will be left at the end of fiscal year 2017-18.

Budget Stabilization Reserve

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

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

Fiscal year 2014-15 RPTT receipts exceeded the five-year annual average by \$79 million and ending general fund unassigned fund balance was \$42 million, triggering a \$91 million deposit. However, this deposit requirement was fully offset by the Rainy Day Reserve deposit of \$97 million, resulting in no deposit to the Budget Stabilization Reserve and leaving an ending balance to \$132 million. The fiscal years 2016-17 and 2017-18 budgets project no deposits as a result of projected declines in RPTT receipts, bringing the projected ending balance in fiscal year 2017-18 to \$141.6 million. The Controller's Office will determine final deposits in October of each year based on actual receipts during the prior fiscal year.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues, which would be approximately \$420 million for fiscal year 2015-16. No further deposits will be made once this cap is reached, and no deposits are required in years when the City is eligible to withdraw. The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve, however, there is no provision for allocations to the SFUSD. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization

Reserve could be drawn; in the second year, the maximum withdrawal is 50%; and, in the third year, the entire remaining balance may be drawn.

THE SUCCESSOR AGENCY

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

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

Authority and Personnel

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

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

Effect of the Dissolution Act

AB 26 and AB 27. The Former Agency was established under the Community Redevelopment Law in 1948. The Former Agency was established under the Redevelopment Law in 1948. As a result of AB 1X 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy “enforceable obligations” of the former redevelopment agency all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

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

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

Successor Agency and (iv) established the composition and terms of the members of the Successor Agency Commission.

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

Oversight Board

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

Department of Finance Finding of Completion

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

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

State Controller Asset Transfer Review

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

Continuing Activities

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

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, four major redevelopment projects that were previously administered by the Former Agency: (i) the Mission Bay North and South Redevelopment Project Areas, (ii) the Hunters Point Shipyard Redevelopment Project Area and Zone 1 of the Bayview Redevelopment Project Area, and (iii) the Transbay Redevelopment Project Area (collectively, the “Major Approved Development Projects”). In addition, the Successor Agency continues to manage Yerba Buena Gardens and other assets within the former Yerba Buena Center Redevelopment Project Area (“YBC”). The Successor Agency exercises land use, development and design

approval authority for the Major Approved Development Projects and manages the former Redevelopment Agency assets in YBC in place of the Former Agency.

PROPERTY TAXATION

Property Taxation System – General

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

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 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 prepare and mail tax bills to taxpayers and collect the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See “Taxation of State-Assessed Utility Property” below.

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-5 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-5 includes taxes assessed on behalf of the City as well as SFUSD, SFCCD, the Bay Area Air Quality Management District (“BAAQMD”), and BART, all of which are legal entities separate from the City. See also, Table A-26: “Statement of Direct and Overlapping Debt and Long-Term Obligations” below. In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the Successor Agency (also known as the Office of Community Investment and Infrastructure or OCII). Property tax revenues attributable to the growth in assessed value of taxable property (known as “tax increment”) within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations, causing a loss of tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. The Successor Agency received \$125 million of property tax increment in fiscal year 2014-15, diverting about \$71 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 98.83% for fiscal year 2014-15. This table has been modified from the corresponding table in previous disclosures in order to make the levy and collection figures consistent with statistical reports provided to the State. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder’s Office, numbered 102 for fiscal year 2014-15 compared to 187 for fiscal year 2013-14, a 45% decrease. This is a drastic decline from only three years prior (fiscal year 2010-11) when there was a high of 927 foreclosures.

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2010-11 through 2015-16
(000s)

Fiscal Year	Net Assessed Valuation (NAV) ¹	% Change from Prior Year	Total Tax Rate per \$100 ²	Total Tax Levy ³	Total Tax Collected ³	% Collected June 30
2010-11	\$157,865,981	5.1%	1.164	\$1,888,048	\$1,849,460	97.96%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.18%
2012-13	165,043,120	4.0%	1.169	1,997,645	1,970,662	98.65%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.83%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.83%
2015-16	194,392,572	6.9%	1.183	2,298,887	Not available	Not available

¹ Based on initial assessed valuations for fiscal year 2015-16. 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 2014-15 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California State Controller's Office). Total Tax Levy for fiscal year 2015-16 is based on NAV times the 1.1826% tax rate.

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

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

At the start of fiscal year 2015-16, the total net assessed valuation of taxable property within the City is \$194.4 billion. Of this total, \$183.2 billion (94.2%) represents secured valuations and \$11.8 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. Every year, some taxpayers appeal the Assessor's determination of their property's assessed value, and some of the appeals may be retroactive and for multiple years. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with counties' property assessments.

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in appeals as the economy rebounds. Historically, during severe economic downturns, partial reductions of up to approximately 30% of the assessed valuations appealed have been granted. Assessment appeals granted typically result in revenue refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Other taxing agencies such as SFUSD, SFCCD, BAAQMD, and BART share proportionately in the rest of any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In

addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeal reserve fund for fiscal years 2010-11 through 2014-15 are listed in Table A-6 below.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
Fiscal Years 2010-11 through 2014-15
(000s)

Fiscal Year	Amount Refunded
2010-11	\$41,730
2011-12	53,288
2012-13	36,744
2013-14	25,756
2014-15	16,304

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

As of July 1, 2015, the Assessor granted 8,523 temporary reductions in property assessed values worth a total of \$221 million (equating to a reduction of about \$2.6 million in general fund taxes), compared to 10,726 temporary reductions with a value of \$640.3 million (equating to a reduction of about \$3.6 million in discretionary general fund taxes) granted in Spring 2014. The 2015 \$221 million temporary reduction total represented 0.13% of the fiscal year 2015-16 Net Assessed Valuation of \$194.4 billion shown in Table A-5. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board (“AAB”) within a certain period of time. For regular, annual secured property tax assessments, the time period for property owners to file an appeal typically falls between July 2nd and September 15th.

As of June 30, 2015, the total number of open appeals before the AAB was 4,126, compared to 6,279 open AAB appeals as of June 30, 2014, including 2,694 filed since July 1, 2014, with the balance pending from prior fiscal years. The difference between the current assessed value and the taxpayers' opinion of values for the open AAB appeals is \$20.9 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all of the taxpayers' requests, this represents a negative potential property tax impact of about \$245.1 million (based upon the fiscal year 2014-15 tax rate) with an impact on the General Fund of about \$118.1 million. The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant. City revenue estimates take into account projected losses from pending and future assessment appeals.

Tax Levy and Collection

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the Bay Area Air Quality Management District and BART. The total tax levy for all taxing entities in fiscal year 2015-16 is estimated to produce about \$2.3 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of this amount, the City has budgeted to receive \$991.0 million into the General Fund and \$144.9 million into special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD are estimated to receive about \$134.8 million and \$25.3 million, respectively, and the local ERAF is estimated to receive \$443.6 million (before adjusting for the State's Triple Flip sales tax and vehicle license fees (“VLF”) backfill shifts). The Successor Agency will receive about \$111 million. The remaining portion is allocated to various other governmental bodies, various special funds, general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD and BART may only be applied for that purpose.

General Fund property tax revenues in fiscal year 2014-15 were \$1.27 billion, representing an increase of \$39.7 million (3.2%) over fiscal year 2014-15 Original Budget and \$95.3 million (8.1%) over fiscal year 2013-14 actual revenue. Property tax revenue is budgeted at \$1.29 billion in fiscal year 2015-16 representing an increase of \$18.4 million (1.4%) over fiscal year 2014-15 actual receipts and \$1.31 billion in fiscal year 2016-17 representing an annual increase of \$21.0 million (1.6%) over fiscal year 2015-16 budget. Tables A-2 and A-3 set forth a history of budgeted and actual property tax revenues for fiscal years 2011-12 through 2014-15, and budgeted receipts for fiscal years 2015-16 and fiscal year 2016-17.

The City's General Fund is allocated about 48% of total property tax revenue before adjusting for the State's Triple Flip (whereby Proposition 57 dedicated 0.25% of local sales taxes, which were subsequently backfilled by a decrease to the amount of property taxes shifted to ERAF from local governments, thereby leaving the State to fund a like amount from the State's General Fund to meet Proposition 98 funding requirements for schools) and VLF backfill shifts. The State's Triple Flip is scheduled to end in fiscal year 2015-16, eliminating sales tax in-lieu revenue from property taxes and shifting it to the local sales tax revenue line.

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

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

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

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

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. This apportionment method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-7.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2010-11 through 2014-15
(000s)

Year Ended	Amount Funded
2010-11	\$17,302
2011-12	17,980
2012-13	18,341
2013-14	19,654
2014-15	20,569

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, 2015 are shown in Table A-8. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
July 1, 2015
(000s)

Assessee	Location	Parcel Number	Type	Total Assessed	
				Value ¹	% of Basis of Levy ²
HWA 555 Owners LLC	555 California St.	0259 026	Commercial Office	\$964,169	0.49%
PPF Paramount One Market Plaza Owner LP	1 Market St.	3713 007	Commercial Office	789,865	0.40%
Union Investment Real Estate GMBH	555 Mission St.	3721 120	Commercial Office	466,638	0.24%
Emporium Mall LLC	845 Market St.	3705 056	Commercial Retail	441,260	0.23%
SPF China Basin Holdings LLC	185 Berry St.	3803 005	Commercial Office	433,661	0.22%
SHC Embarcadero LLC	4 The Embarcadero	0233 044	Commercial Office	406,983	0.21%
Wells REIT II- 333 Market St. LLC	333 Market St.	3710 020	Commercial Office	404,977	0.21%
Post-Montgomery Associates	165 Sutter St.	0292 015	Commercial Retail	396,798	0.20%
PPF OFF One Maritime Plaza LP	300 Clay St.	0204 021	Commercial Office	376,426	0.19%
S F Hilton Inc.	1 Hilton Square	0325 031	Commercial Hotel	375,963	0.19%
				2,599,000	2.59%

¹ Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year. TAV includes land & improvements, personal property, and fixtures.

² The Basis of Levy is total assessed value less exemptions for which the state does not reimburse counties (e.g. those that apply to nonprofit organizations).

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

Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2015-16 valuation of property assessed by the State Board of Equalization is \$2.94 billion.

OTHER CITY TAX REVENUES

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

The following section contains a brief description of other major City-imposed taxes as well as taxes that are collected by the State and shared with the City.

Business Taxes

Through tax year 2013 businesses in the City were subject to payroll expense and business registration taxes. Proposition E approved by the voters in the November 6, 2012 election changed business registration tax rates and introduced a gross receipts tax which phases in over a five-year period beginning January 1, 2014, replacing the current 1.5% tax on business payrolls over the same period. Overall, the ordinance increases the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 currently to 15,000. Current payroll tax exclusions will be converted into a gross receipts tax exclusion of the same size, terms and expiration dates.

The payroll expense tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. The 1.5% payroll tax rate in 2013 was adjusted to 1.35% in tax year 2014 and annually thereafter according to gross receipts tax collections to ensure that the phase-in of the gross receipts tax neither results in a windfall nor a loss for the City. The new gross receipts tax ordinance, like the current payroll expense tax, is imposed for the privilege of “engaging in business” in San Francisco. The gross receipts tax will apply to businesses with \$1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. Proposition E also imposes a 1.4% tax on administrative office business activities measured by a company’s total payroll expense within San Francisco in lieu of the Gross Receipts Tax, and increases annual business registration fees to as much as \$35,000 for businesses with over \$200 million in gross receipts. Prior to Proposition E, business registration taxes varied from \$25 to \$500 per year per subject business based on the prior year computed payroll tax liability. Proposition E increased the business registration tax rates to between \$75 and \$35,000 annually.

Business tax revenue in fiscal year 2014-15 was \$612 million, representing an increase of \$49 million (8.6%) from fiscal year 2013-14 revenue. Business tax revenue is budgeted at \$636 million in fiscal year 2015-16 representing an increase of \$24 million (4%) over fiscal year 2014-15 revenue.

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TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues
Fiscal Years 2010-11 through 2015-16
All Funds
(000s)

Fiscal Year	Revenue	Change	
2010-11	\$391,779	\$37,759	10.7%
2011-12	437,677	45,898	11.7%
2012-13	480,131	42,454	9.7%
2013-14	563,406	83,276	17.3%
2014-15	611,932	48,525	8.6%
2015-16 budgeted	636,360	24,428	4.0%
2016-17 budgeted	666,260	29,900	4.7%

Includes Payroll Tax, portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax, and beginning in fiscal year 2013-14, Gross Receipts Tax revenues. Figures for fiscal years 2010-11 through 2014-15 are audited actuals. Figures for fiscal year 2015-16 are Original Budget amounts.

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

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue growth is a function of changes in occupancy, average daily room rates (“ADR”) and room supply. Revenue per available room (RevPAR), the combined effect of occupancy and ADR, has increased by more than 10% annually for each of the last 5 years driving an 85% increase in hotel tax revenue between fiscal year 2010-11 and fiscal year 2014-15. Increases in RevPAR are budgeted to continue at a slower pace through fiscal year 2016-17. Fiscal year 2014-15 transient occupancy tax was \$394 million, representing an \$86 million increase from fiscal year 2013-14 revenue. Fiscal year 2015-16 is budgeted to be \$389 million, a decrease of \$10 million (3%) from fiscal year 2014-15 due to the loss of a one-time prior year payment received during fiscal year 2014-15. Fiscal year 2016-17 is budgeted to be \$411 million, an increase of \$22 million (5%) from fiscal year 2015-16 budget.

San Francisco and a number of other jurisdictions in California and the U.S. are currently involved in litigation with online travel companies regarding the companies’ duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. On February 6, 2013, the Los Angeles Superior Court issued a summary judgment concluding that the online travel companies had no obligation to remit hotel tax to San Francisco. The City has received approximately \$88 million in disputed hotel taxes paid by the companies. Under State law, the City is required to accrue interest on such amounts. The portion of these remittances that will be retained or returned (including legal fees and interest) will depend on the ultimate outcome of these lawsuits. San Francisco has appealed the judgment against it. That appeal has been stayed pending the California Supreme Court’s decision in a similar case between the online travel companies and the City of San Diego.

TABLE A -10

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues
Fiscal Years 2010-11 through 2016-17
(000s)

Fiscal Year	Tax Rate	Revenue	Change	
2010-11	14.00%	\$215,512	\$23,430	12.2%
2011-12	14.00	242,843	27,331	12.7%
2012-13 ¹	14.00	241,871	(972)	-0.4%
2013-14	14.00	313,138	71,267	29.5%
2014-15 ¹	14.00	399,364	86,226	27.5%
2015-16 budgeted	14.00	389,114	(10,250)	-2.6%
2016-17 budgeted	14.00	408,355	19,241	4.9%

Figures for fiscal year 2010-11 through fiscal year 2014-15 are audited actuals and include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds. Figures for fiscal year 2015-16 and 2016-17 are Original Budget amounts.

¹ Amounts in fiscal year 2012-13 and FY 2014-15 are substantially adjusted due to multi-year audit and litigation resolutions.

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

Real Property Transfer Tax

A tax is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Current rates are \$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.

Real property transfer tax ("RPTT") revenue in fiscal year 2014-15 was \$315 million, a \$53 million (20%) increase from fiscal year 2013-14 revenue. Fiscal year 2015-16 RPTT revenue is budgeted to be \$275 million, approximately \$39 million (13%) less than the revenue received in fiscal year 2014-15 primarily due to the assumption that fiscal year 2014-15 represents the peak in high value property transactions during the current economic cycle. This slowing is budgeted to continue into fiscal year 2016-17 with RPTT revenue budgeted at \$240 million, a reduction of \$35 million (13%).

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2010-11 through 2016-17
(000s)

Fiscal Year	Revenue	Change	
2010-11	\$135,184	\$51,489	61.5%
2011-12	233,591	98,407	72.8%
2012-13	232,730	(861)	-0.4%
2013-14	261,925	29,195	12.5%
2014-15	314,603	52,678	20.1%
2015-16 budgeted	275,280	(39,323)	-12.5%
2016-17 budgeted	240,000	(35,280)	-12.8%

Figures for fiscal year 2010-11 through 2014-15 are audited actuals. Figures for fiscal year 2015-16 and 2016-17 are Original Budget amounts.

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

Sales and Use Tax

The State collects the City's local sales tax on retail transactions along with State and special district sales taxes, and then remits the local sales tax collections to the City. The rate of tax is one percent; however, the State takes one-quarter of this, and replaces the lost revenue with a shift of local property taxes to the City from local school district funding. The local sales tax revenue is deposited in the City's General Fund.

Local sales tax collections in fiscal year 2014-15 were \$140 million, an increase of \$6 million (5%) from fiscal year 2013-14 sales tax revenue. Revenue growth is budgeted to continue during fiscal year 2015-16 with \$173 million budgeted, an increase of \$33 million (23%) from fiscal year 2014-15 receipts. Fiscal year 2016-17 revenue is budgeted to be \$206 million, an increase of \$5 million (3%) from fiscal year 2015-16 budget with an assumption that the strong local economy will generate increased taxable sales across nearly all categories. The growth in the fiscal year 2015-16 budget also includes \$23 million increase in sales tax due to the conclusion of the Triple Flip. As described in the Property Tax section, the Triple Flip is a funding shift beginning in fiscal year 2004-05 through December 31, 2015 under which the State withheld 0.25% of the local 1% portion of sales tax to pay debt service on the \$15 billion bonds authorized under the California Economic Recovery Bond Act (Proposition 57).

Historically, sales tax revenues have been highly correlated to growth in tourism, business activity and population. This revenue is significantly affected by changes in the economy. In recent years online retailers such as Amazon have contributed significantly to sales tax receipts. The budget assumes no changes from State laws affecting sales tax reporting for these online retailers. Sustained growth in sales tax revenue will depend on changes to state and federal law and order fulfillment strategies for online retailers.

Table A-12 reflects the City's actual sales and use tax receipts for fiscal years 2012-13 through 2014-15, and budgeted receipt for fiscal year 2015-16 and 2016-17, as well as the imputed impact of the property tax shift made in compensation for the one-quarter of the sales tax revenue taken by the State through the fiscal year 2015-16.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2010-11 through 2016-17
(000s)

Fiscal Year	Tax Rate	City Share	Revenue	Change	
2010-11 ²	9.50%	0.75%	\$106,302	\$9,698	10.0%
2010-11 adj. ¹	9.50%	1.00%	140,924	12,639	9.9%
2011-12	8.50%	0.75%	117,071	10,769	10.1%
2011-12 adj. ¹	8.50%	1.00%	155,466	14,541	10.3%
2012-13	8.50%	0.75%	122,271	5,200	4.4%
2012-13 adj. ¹	8.50%	1.00%	162,825	7,359	4.7%
2013-14	8.75%	0.75%	133,705	11,434	9.4%
2013-14 adj. ¹	8.75%	1.00%	177,299	14,474	8.9%
2014-15	8.75%	0.75%	140,146	6,441	4.8%
2014-15 adj. ¹	8.75%	1.00%	186,891	9,592	5.4%
2015-16 <i>budgeted</i> ²	8.75%	0.75%	172,937	32,791	23.4%
2015-16 adj. ¹ <i>budgeted</i>	8.75%	1.00%	200,937	14,046	7.5%
2016-17 <i>budgeted</i> ²	8.75%	1.00%	205,733	4,796	2.8%

Figures for fiscal year 2010-11 through fiscal year 2014-15 are audited actuals. Figures for fiscal year 2015-16 and 2016-17 are Original Budget amounts.

¹Adjusted figures represent the value of the entire 1.00% local sales tax, which was reduced by 0.25% beginning in fiscal year 2004-05 through December 31, 2015 in order to repay the State's Economic Recovery Bonds as authorized under Proposition 57 in March 2004. This 0.25% reduction is backfilled by the State. Fiscal year 2015-16 budget represents only a half of this 0.25% reduction.

²In November 2012 voters approved Proposition 30, which temporarily increases the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

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

Utility Users Tax

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

Fiscal year 2014-15 Utility User Tax revenues were \$99 million, representing an increase of \$12 million (14%) from fiscal year 2013-14 revenue. Fiscal year 2015-16 revenue is budgeted to be \$94 million, representing expected decline of \$5 million (5%) from fiscal year 2014-15. Fiscal year 2016-17 Utility User Tax revenues are budgeted at \$95 million, a \$1 million increase from fiscal year 2015-16 budget.

Emergency Response Fee; Access Line Tax

The City imposes an Access Line Tax ("ALT") on every person who subscribes to telephone communications services in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. It applies to each telephone line in the City and is collected from telephone communications service subscribers by the telephone service supplier. Access Line Tax revenue for fiscal year 2014-15 was \$49 million, a \$5 million (11%) increase over the previous fiscal year due to a large one-time payment related to a prior year audit finding. In fiscal year 2015-16, the Access Line Tax revenue is budgeted at \$46 million, a \$3 million (6%) decrease from fiscal year 2014-15 revenue. Fiscal year 2016-17 revenue is budgeted at \$47 million a \$1 million (2%) increase from fiscal year 2015-16 budget.

Budgeted amounts in fiscal year 2015-16 and fiscal year 2016-17 assume annual inflationary increases to the access line tax rate as required under Business and Tax Regulation Code Section 784.

Parking Tax

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

Fiscal year 2014-15 Parking Tax revenue was \$87 million, \$4 million (5%) above fiscal year 2013-14 revenue. Parking tax revenue is budgeted at \$90 million in fiscal year 2015-16, an increase of \$3 million (3%) over the fiscal year 2014-15. In fiscal year 2016-17, Parking Tax revenue is budgeted at \$92 million, \$2 million (2%) over the fiscal year 2015-16 budgeted amount. Parking tax growth estimates are commensurate with expected changes to the CPI over the same period.

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

INTERGOVERNMENTAL REVENUES

State – Realignment

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

1991 Health & Welfare Realignment. In fiscal year 2015-16, the General Fund share of 1991 realignment revenue is budgeted at \$169 million, or \$7 million (4%) more than the fiscal year 2014-15 budget and \$6 million (3%). This growth is attributed to a \$5 million (4%) increase in sales tax distribution and a \$2 million (6%) increase in the VLF distribution due to the base allocation increase and projected fiscal year 2014-15 growth payments. The fiscal year 2016-17 General Fund share of revenue is budgeted at \$174 million, a net annual increase of \$5 million (3%) in sales tax and VLF distributions based on the projected growth payments.

Increases in both years are net of state allocation reductions due to implementation of the Affordable Care Act (ACA) equal to assumed savings for counties as a result of treating fewer uninsured patients. The State's fiscal year 2014-15 Budget included assumed statewide county savings of \$724 million in fiscal year and the fiscal year 2015-16 included assumed savings of \$698 as a result of ACA implementation, and redirects these savings from realignment allocations to cover CalWORKs expenditures previously paid for by the State's General Fund. Reductions to the City's allocation are assumed equal to \$16.7 million in both years, which is the same level of reduction assumed in the fiscal year 2013-14 and fiscal year 2014-15 budgets. Future budget adjustments could be necessary depending on final state determinations of ACA savings amounts, which are expected in January 2016 and January 2017 for fiscal year 2013-14 and fiscal year 2014-15, respectively.

Public Safety Realignment. Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers. Based on the State's budget, this revenue is budgeted at \$36 million in fiscal year 2015-16, a \$5 million (14%) increase over the fiscal year 2014-15. This increase reflects increased State funding to support implementation of AB109. The fiscal year 2016-17 budget assumes a \$2 million (6%) increase from fiscal year 2015-16 budget. Within Public Safety Realignment, distributions to the District Attorney and Public Defender in particular are projected to increase from \$0.3 million in fiscal year 2014-15 to \$0.5 million in fiscal year 2015-16, a 60% increase in funding as the State projects an increased workload for public defenders and district attorneys due to continuing transfer of responsibility for prosecuting and defending lower-level offenders and parolees to counties.

Public Safety Sales Tax

State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City's proportionate share of Statewide sales activity. Revenue from this source for fiscal year 2014-15 was \$94 million, an increase of \$6 million (7%) from fiscal year 2013-14 revenues. This revenue is budgeted at \$98 million in fiscal year 2015-16 and \$103 million in fiscal year 2016-17, representing annual growth of \$4 million (4%) and \$5 million (5%) respectively. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above, and are used to fund police and fire services. Disbursements are made to counties based on the county ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year. The county ratio for San Francisco in fiscal year 2014-15 is 3% and is expected to remain at that level in fiscal year 2015-16 and fiscal year 2016-17.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, \$476 million is budgeted in fiscal year 2014-15 from grants and subventions from State and federal governments to fund public health, social services and other programs in the General Fund. This represents a \$53 million (12%) increase from fiscal year 2013-14. The fiscal year 2015-16 budget is \$481 million, an increase of \$4 million (1%) from the fiscal year 2014-15 Original Budget.

Charges for Services

Revenue from charges for services in the General Fund in fiscal year 2014-15 was \$216 million and is projected to be largely unchanged in the fiscal year 2015-16 and 2016-17 budget at \$215 million and \$217 million, respectively.

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

Unique among California cities, San Francisco as a charter city and county must provide the services of both a city and a county. Public services include police, fire and public safety; public health, mental health and other social services; courts, jails, and juvenile justice; public works, streets, and transportation, including port and airport; construction and maintenance of all public buildings and facilities; water, sewer, and power services; parks and recreation; libraries and cultural facilities and events; zoning and planning, and many others. Employment costs are relatively fixed by labor and retirement agreements, and account for approximately 50% of all City expenditures. In addition, the Charter imposes certain baselines, mandates, and property tax set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including MTA, children's services and public education, and libraries. Budgeted baseline and mandated funding is \$910 million in fiscal year 2015-16 and \$942 million in fiscal year 2016-17.

General Fund Expenditures by Major Service Area

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

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2010-11 through 2015-16
(000s)

Major Service Areas	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Original Budget	Original Budget	Original Budget	Original Budget	Original Budget	Original Budget
Public Protection	\$947,327	\$998,237	\$1,058,689	\$1,130,932	\$1,173,977	\$1,223,981
Human Welfare & Neighborhood Development	655,026	672,834	670,375	700,254	799,355	857,055
Community Health	519,319	575,446	609,892	701,978	736,916	787,554
General Administration & Finance	169,526	199,011	197,994	244,591	293,107	286,871
Culture & Recreation	97,510	100,740	111,066	119,579	126,932	137,062
General City Responsibilities	103,128	110,725	145,560	137,025	158,180	186,068
Public Works, Transportation & Commerce	26,989	51,588	67,529	80,797	127,973	161,545
Total*	\$2,518,824	\$2,708,581	\$2,861,106	\$3,115,155	\$3,416,440	\$3,640,137

*Total may not add due to rounding

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

Public Protection primarily includes the Police Department, the Fire Department and the Sheriff's Office. These departments are budgeted to receive \$423 million, \$233 million and \$157 million of General Fund support respectively in fiscal year 2015-16 and \$439 million, \$235 million, and \$164 million respectively in fiscal year 2016-17. Within Human Welfare & Neighborhood Development, the Department of Human Services, which includes aid assistance and aid payments and City grant programs, is budgeted to receive \$289 million of General Fund support in the fiscal year 2015-16 and \$294 million in fiscal year 2016-17.

The Public Health Department is budgeted to receive \$637 million in General Fund support for public health programs and the operation of San Francisco General Hospital and Laguna Honda Hospital in fiscal year 2015-16 and \$670 million in fiscal year 2016-17.

For budgetary purposes, enterprise funds are characterized as either self-supported funds or General Fund-supported funds. General Fund-supported funds include the Convention Facility Fund, the Cultural and Recreation Film Fund the Gas Tax Fund, the Golf Fund, the Grants Fund, the General Hospital Fund, and the Laguna Honda Hospital Fund. The MTA is classified as a self-supported fund, although it receives an annual general fund transfer equal to 80% of general fund parking tax receipts pursuant to the Charter. This transfer is budgeted to be \$72 million in fiscal year 2015-16 and \$74 million in the fiscal year 2016-17.

Baselines

The Charter requires funding for baselines and other mandated funding requirements. The chart below identifies the required and budgeted levels of appropriation funding for key baselines and mandated funding requirements. Revenue-driven baselines are based on the projected aggregate City discretionary revenues, whereas expenditure-driven baselines are typically a function of total spending.

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
Fiscal Year 2015-16
(in Millions)

Baselines & Set-Asides	FY 2015-16 Required Baseline	FY 2015-16 Original Budget
Municipal Transportation Agency (MTA)	\$197.8	\$197.8
MTA Baseline - Population Adjustment	\$27.7	\$27.7
Parking and Traffic Commission	\$74.2	\$74.2
Children's Services	\$142.9	\$145.9
Transitional Aged Youth	\$17.1	\$18.7
Library Preservation	\$67.6	\$67.6
Public Education Baseline Services	\$8.6	\$8.6
Public Education Enrichment Funding		
Unified School District	\$60.3	\$60.3
First Five Commission	\$30.1	\$30.1
City Services Auditor	\$15.3	\$15.3
Human Services Homeless Care Fund	\$15.1	\$15.1
 <u>Property Tax Related Set-Asides</u>		
Municipal Symphony	\$2.4	\$2.4
Children's Fund Set-Aside	\$59.9	\$59.9
Library Preservation Set-Aside	\$46.1	\$46.1
Open Space Set-Aside	\$46.1	\$46.1
 <u>Staffing and Service-Driven</u>		
Police Minimum Staffing	Requirement likely not met	
Fire Neighborhood Firehouse Funding	Requirement met	
Treatment on Demand	Requirement met	
Total Baseline Spending	\$811.2	\$815.7

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

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

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents approximately 50% of the City's expenditures, totaling \$4.5 billion in the fiscal year 2015-16 Original Budget (all-funds), and \$4.6 billion in the fiscal year 2016-17 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was \$2.1 billion in the fiscal year 2015-16 Original Budget and \$2.2 billion in the fiscal year 2016-17 Original Budget. This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, medical benefits, retirement benefits and the City's retirement system, and post-retirement health and medical benefits. Employees of SFUSD, SFCCD and the San Francisco Superior Court are not City employees.

Labor Relations

The City's budget for fiscal years 2015-16 and 2016-17 includes 29,553 and 30,017 budgeted City positions, respectively. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 ("SEIU"); the International Federation of Professional and Technical Engineers, Local 21("IFPTE"); and the unions representing police, fire, deputy sheriffs and transit workers.

The wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (the Meyers-Milias-Brown Act, California Government Code Sections 3500-3511) and the Charter. Except for nurses and a few hundred unrepresented employees, the Charter requires that bargaining impasses be resolved through final and binding interest arbitration conducted by a panel of three arbitrators. The award of the arbitration panel is final and binding unless legally challenged. Wages, hours and working conditions of nurses are not subject to interest arbitration, but are subject to Charter-mandated economic limits. Strikes by City employees are prohibited by the Charter. Since 1976, no City employees have participated in a union-authorized strike.

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

In May 2014, the City negotiated three-year agreements (for fiscal years 2014-15 through 2016-17) with most of its labor unions. In general, the parties agreed to: (1) annual wage increase schedules of 3% (October 11, 2014), 3.25% (October 10, 2015), and between 2.25% and 3.25% depending on inflation (July 1, 2016); and (2) some structural reforms of the City's healthcare benefit and cost-sharing structures to rebalance required premiums between the two main health plans offered by the City. These changes to health contributions build reforms agreed to by most unions during earlier negotiations.

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

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

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

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of July 1, 2015

<u>Organization</u>	<u>Budgeted Positions</u>	<u>Expiration Date of MOU</u>
Automotive Machinists, Local 1414	429	30-Jun-2017
Bricklayers, Local 3/Hod Carriers, Local 36	10	30-Jun-2017
Building Inspectors Association	95	30-Jun-2017
Carpenters, Local 22	110	30-Jun-2017
Carpet, Linoleum & Soft Tile	3	30-Jun-2017
CIR (Interns & Residents)	2	30-Jun-2017
Cement Masons, Local 580	33	30-Jun-2017
Deputy Sheriffs Association	780	30-Jun-2017
District Attorney Investigators Association	41	30-Jun-2017
Electrical Workers, Local 6	887	30-Jun-2017
Glaziers, Local 718	10	30-Jun-2017
International Alliance of Theatrical Stage Employees, Local 16	23	30-Jun-2017
Ironworkers, Local 377	14	30-Jun-2017
Laborers International Union, Local 261	1,027	30-Jun-2017
Municipal Attorneys' Association	435	30-Jun-2017
Municipal Executives Association	1,172	30-Jun-2017
MEA - Police Management	6	30-Jun-2018
MEA - Fire Management	9	30-Jun-2018
Operating Engineers, Local 3	59	30-Jun-2017
City Workers United	127	30-Jun-2017
Pile Drivers, Local 34	24	30-Jun-2017
Plumbers, Local 38	341	30-Jun-2017
Probation Officers Association	157	30-Jun-2017
Professional & Technical Engineers, Local 21	4,795	30-Jun-2017
Roofers, Local 40	11	30-Jun-2017
S.F. Institutional Police Officers Association	2	30-Jun-2017
S.F. Firefighters, Local 798	1,737	30-Jun-2018
S.F. Police Officers Association	2,502	30-Jun-2018
SEIU, Local 1021	11,643	30-Jun-2017
SEIU, Local 1021 Staff & Per Diem Nurses	1,616	30-Jun-2016
SEIU, Local 1021 H-1 Rescue Paramedics	12	30-Jun-2018
Sheet Metal Workers, Local 104	45	30-Jun-2017
Sheriff's Managers and Supervisors Association	98	30-Jun-2017
Stationary Engineers, Local 39	661	30-Jun-2017
Supervising Probation Officers, Operating Engineers, Local 3	24	30-Jun-2017
Teamsters, Local 853	162	30-Jun-2017
Teamsters, Local 856 (Multi-Unit)	107	30-Jun-2017
Teamsters, Local 856 (Supervising Nurses)	122	30-Jun-2016
TWU, Local 200 (SEAM multi-unit & claims)	341	30-Jun-2017
TWU, Local 250-A Auto Service Workers	117	30-Jun-2017
TWU, Local 250-A Transit Fare Inspectors	74	30-Jun-2017
TWU-250-A Miscellaneous	97	30-Jun-2017
TWU-250-A Transit Operators	2,216	30-Jun-2017
Union of American Physicians & Dentists	199	30-Jun-2018
Unrepresented Employees	168	30-Jun-2016
	32,543 ^[1]	

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

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

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

History and Administration

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

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

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

In 2014, the Retirement System filed an application with the Internal Revenue Service ("IRS") for a Determination Letter. In July 2014, the IRS issued a favorable Determination Letter for SFERS. Issuance of a Determination Letter constitutes a finding by the IRS that operation of the defined benefit plan in accordance with the plan provisions and documents disclosed in the application qualifies the plan for federal tax exempt status. A tax qualified plan also provides tax advantages to the City and to members of the Retirement System. The favorable Determination Letter included IRS review of all SFERS provisions, including the provisions of Proposition C approved by the City voters in November 2011.

Membership

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

The Retirement System estimates that the total active membership as of July 1, 2015 (the date of most recent valuation report) was 37,821, compared to 35,957 members a year earlier. Active membership includes 5,960 terminated vested members and 1,024 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. Retirement allowances are paid to approximately 27,500 retired members and beneficiaries monthly. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Beginning July 1, 2008, the Retirement System had a Deferred Retirement Option Program ("DROP") program for Police Plan members who were eligible and elected participation. The program "sunset" on June 30, 2011. A total of 354 eligible Police Plan members elected to participate in DROP during the three-year enrollment window. As of early 2016, all but one police officer have retired and exited DROP.

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

TABLE A-16

SAN FRANCISCO CITY AND COUNTY
Employees' Retirement System
Fiscal Years 2010 -11 through 2014 -15

As of 1-Jul	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2011	27,955	4,499	1,021	33,475	24,292	1.151
2012	28,097	4,543	1,015	33,655	25,190	1.115
2013	28,717	4,933	1,040	34,690	26,034	1.103
2014	29,516	5,409	1,032	35,957	26,852	1.099
2015	30,837	5,960	1,024	37,821	27,485	1.122

Sources: SFERS' Actuarial Valuation reports as of July 1, 2014, July 1, 2013, July 1, 2012, July 1, 2011 and July 1, 2010.

Notes: Member counts exclude DROP participants.

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

Funding Practices

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

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

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

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

Prospective purchasers of the City's bonds should carefully review and assess the assumptions regarding the performance of the Retirement System. Audited financials and actuarial reports may be found on the Retirement System's website, mysfers.org, under Publications. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's bonds are cautioned that the information and assumptions speak only as of the respective dates contained in the underlying source documents, and are therefore subject to change.

Employer Contribution History and Annual Valuations

Fiscal year 2013-14 total City employer contributions to the Retirement System were \$499.8 million which included \$218.2 million from the General Fund. Fiscal year 2014-15 total City employer contributions were \$556.5 million which included \$243.6 million from the General Fund. For fiscal year 2015-16, total City employer contributions to the Retirement System are budgeted at \$490.2 million which includes \$226.3 million from the General Fund. These budgeted amounts are based upon the fiscal year 2015-16 employer contribution rate of 22.80% (estimated to be 19.2% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2016-17 employer contribution rate is 21.4% per the July 1, 2015 actuarial valuation report. The modest decline in employer contribution rate from 22.80% to 21.40% results from the actuarial value of assets increasing more than expected offset by the change in demographic assumptions recognized at July 1, 2015. As discussed under “City Budget – Five Year Financial Plan” further reductions in retirement costs after fiscal year 2015-16 had been projected in the City’s March 2015 Five Year Financial Plan. However, recent changes have led to increases in the projected employer contribution rates for the City’s retirement system beginning in fiscal year 2016-17.

Table A-17 shows total Retirement System liabilities, assets, and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2010-11 through 2014-15. Information is shown for all employers in the Retirement System (City and County of San Francisco, SFUSD, SFCCD, and San Francisco Trial Courts). “Actuarial Liability” reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. “Market Value of Assets” reflects the fair market value of assets held in trust for payment of pension benefits. “Actuarial Value of Assets” are the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The “Market Percent Funded” column is determined by dividing the market value of assets by the actuarial accrued liability. The “Actuarial Percent Funded” column is determined by dividing the actuarial value of assets by the actuarial accrued liability. “Employee and Employer Contributions” reflects the total of mandated employee contributions and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

TABLE A-17

**SAN FRANCISCO CITY AND COUNTY
Employees' Retirement System
Fiscal Years 2010-11 through 2014-15
(000s)**

As of <u>1-Jul</u>	Market Value <u>of Assets</u>	Actuarial Value <u>of Assets</u>	Pension Benefit <u>Obligation</u>	Market <u>Percent Funded</u>	Actuarial <u>Percent Funded</u>	Employee & <u>Employer Contribution</u>	Employer <u>Contribution Rates⁽¹⁾</u>
2011	\$15,598,839	\$16,313,100	\$18,598,700	83.9%	87.7%	490,578	13.56%
2012	15,293,700	16,027,700	19,393,900	78.9%	82.6%	608,957	18.09%
2013	17,011,500	16,303,400	20,224,800	84.1%	80.6%	701,596	20.71%
2014	19,920,600	18,012,100	21,122,600	94.3%	85.3%	821,902	24.82%
2015	20,428,069	19,653,339	22,970,892	88.9%	85.6%	894,325	26.76%

⁽¹⁾ Employer contribution rates for fiscal years 2015-16 and 2016-17 are 22.80% and 21.40%, respectively.

Sources: SFERS' audited financial statements and supplemental schedules June 30, 2015, 2014, 2013, 2012, and 2011.
SFERS' actuarial valuation report as of July 1, 2014, 2013, July 1, 2012, July 1, 2011, and July 1, 2010.

Note: Table A-17 reflects entire Retirement System, not just the City and County of San Francisco.

Please note in the table above, that the Market Percent Funded ratio has exceeded the Actuarial Percent Funded ratio for the last three years. The Actuarial Percent Funded ratio does not yet fully reflect all asset gains from the last five fiscal years.

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

GASB Disclosures

The Retirement System discloses accounting and financial reporting information under GASB Statement No. 67, *Financial Reporting for Pension Plans*. This statement was first implemented by the Retirement System in fiscal year 2013-14. The City discloses accounting and financial information about the Retirement System under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting statement was first effective in fiscal year 2014-15. These accounting statements separated financial reporting from funding and required additional disclosures in the notes to the financial statements and required supplemental information. In general, the City’s funding of its pension obligations are not affected by the GASB 68 changes to the reporting of the City’s pension liability. Funding requirements are specified in the City Charter and are described in “Funding Practices” above.

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Pension Benefit Obligation 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. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return to the extent the fiduciary net position is available to make payments and at a municipal bond rate to the extent that the fiduciary net position is unavailable to make payments. Differences between the discount rate and assumed investment return have ranged from zero to six basis points at the last three 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 Pension Benefit Obligation for funding purposes includes only Supplemental COLAS that have been already been granted.

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

Table A-17A below shows the collective Total Pension Liability, Plan Fiduciary Net Position (market value of assets), and Net Pension Liability for all employers who sponsor the Retirement System. The City’s audited financial statements disclose only its own proportionate share of the Net Pension Liability and other required GASB 68 disclosures.

TABLE A-17A

**SAN FRANCISCO CITY AND COUNTY
Employees’ Retirement System (in \$000s)
GASB 67/68 Disclosures**

As of 30-Jun	Collective Total Pension Liability (TPL)	Discount Rate	Plan Fiduciary Net Position	Plan Net Position as % of TPL	Collective Net Pension Liability (NPL)	City and County’s Proportionate Share of NPL
2013	\$20,785,417	7.52%	\$17,011,545	81.8%	\$3,773,872	\$3,552,075
2014	21,691,042	7.58	19,920,607	91.8	1,770,435	1,660,365
2015	22,724,102	7.46	20,428,069	89.9	2,296,033	2,156,049

Sources: SFERS fiscal year-end GASB 67/68 Reports as of June 30, 2013, 2014 and 2015

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

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. See page 71 of the CAFR, attached as Appendix B to this Official Statement, for a breakdown of the asset allocation as of June 30, 2015. Although, the Fund did not hold hedge funds as of June 30, 2015, the Board approved a 5% allocation to absolute return/hedge funds at its February 2015 meeting. This new allocation will be implemented over the next two years.

The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System’s investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 1145 Market Street, 5th Floor, San Francisco, California 94103, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.mysfers.org. These documents are not incorporated herein by reference.

Recent Voter Approved Changes to the Retirement Plan

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

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

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

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%;

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

Cost-sharing provisions which increase or decrease employee contributions to SFERS on and after July 1, 2012 for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. For example, Miscellaneous employees who earn between \$50,000 and \$100,000 per year pay a fluctuating contribution rate in the range of +4% to -4% of the Charter-mandated employee contribution rate, while Miscellaneous employees who earn \$100,000 or more per year pay a fluctuating contribution rate in the range of +5% to -5% of the Charter-mandated employee contribution rate. Similar fluctuating employee contributions are also required from Safety employees; and

Effective July 1, 2012, no Supplemental COLA will be paid unless SFERS is fully funded on a market value of assets basis and, for employees hired on or after January 7, 2012, Supplemental COLA benefits will not

be permanent adjustments to retirement benefits - in any year when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

A retiree organization has brought a legal action against the requirement in Proposition C that SFERS be fully funded in order to pay the Supplemental COLA. In that case, *Protect our Benefits (POB) v. City of San Francisco* (1st DCA Case No. A140095), the Court of Appeals held that changes to the Supplemental COLA adopted by the voters in November 2011 under Proposition C could not be applied to current City and County employees and those who retired after November 1996 when the Supplemental COLA provisions were originally adopted, but could be applied to SFERS members who retired before November 1996. This decision is now final and it is estimated that the actuarial liabilities of the Plan will increase approximately \$388 million or 1.8% 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 Proposition C. The Resolution directed that retroactive payments for Supplemental COLAs be made to these retirees. After the Board adopted the Resolution, the Retirement System published an actuarial study on the cost to the Fund of payments to the pre-1996 retirees. The study reports that the two retroactive supplemental payments will trigger immediate payments of \$34 million, create additional liability for continuing payments of \$114 million, and cause a new unfunded liability of \$148 million. This liability does not include the Supplemental COLA payments that may be triggered in the future. Under the cost sharing formulas in Proposition C, the City and its employees will pay for these costs in the form of higher yearly contribution rates. The Controller has projected the future cost to the City and its employees to be \$260 million, with over \$200 million to be paid in the next five fiscal years. The City has taken legal action to obtain an injunction to prevent SFERS from making Supplemental COLA payments to these members who retired before November 6, 1996 and seeking a judicial determination as to the authority of the Board in this matter. On October 5, 2016, the Superior Court of California granted the City's motion for preliminary injunction, which enjoins SFERS from making such payments pending final court ruling on the matter.

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

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

As of June 30, 2015, the audited market value of Retirement System assets was \$20.4 billion. As of February 29, 2016, the unaudited market value was \$19.2 billion. These values represent, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be more or less. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are audited at each fiscal year end as part of the annual audit of the Retirement System's financial statements.

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

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

Other Employee Retirement Benefits

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

Such payment from the General Fund equaled \$19.2 million in fiscal year 2012-13 and \$20.0 million in fiscal year 2013-14. For fiscal year 2014-15, the City prepaid its annual CalPERS obligation at a level of \$25.2 million. Further discussion of the City's CalPERS plan obligations are summarized in Note 9 to the City's CAFR, as of June 30, 2015, attached to this Official Statement as Appendix B. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 45.*"

Medical Benefits

Administration through Health Service System; Audited System Financial Statements

Medical benefits for eligible active City employees and eligible dependents, for retired City employees and eligible dependents, and for surviving spouses and domestic partners of covered City employees (the "City Beneficiaries") are administered by the City's Health Service System (the "Health Service System" or "HSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the Health Service System also administers medical benefits to active and retired employees of SFUSC, SFCCD, and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical and dental benefits for City Beneficiaries. The Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The seven member Health Service Board is composed of members including a seated member of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; a member nominated by the Controller and approved by the Health Service Board, and three members of the Health Service System, active or retired, elected from among their members. The plans (the "HSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "HSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The Health Service System oversees a trust fund (the "Health Service Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the HSS Beneficiaries are funded. The Health Service System issues annually a publicly available, independently audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained on the HSS website, or by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (415) 554-1727. Audited annual financial statements for several years are also posted on the HSS website. The information available on such website is not incorporated in this Official Statement by reference.

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

Determination of Employer and Employee Contributions for Medical Benefits

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

In the June 2014 collective bargaining the Average was eliminated in the calculation of premiums for Active employees represented by most unions, in exchanged for a percentage based employee premium contribution. The long term impact of the premium contribution model is anticipated to be a reduction in the relative proportion of the projected increases in the City's contributions for Healthcare, stabilization of the medical plan membership and

maintenance of competition among plans. The contribution amounts are paid by the City into the Health Service Trust Fund. The Average is still used as a basis for calculating all retiree premiums. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by HSS Beneficiaries or, if elected by the Health Service Board, from net assets also held in the Health Service Trust Fund. Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) (“Nonemployee City Beneficiaries”) are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under “– *Post-Employment Health Care Benefits and GASB 45.*”

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

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

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

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

Health Care Reform

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (Public Law 111-114), and on March 30, 2010 signed the Health Care and Education Reconciliation of 2010 (collectively, the “Health Care Reform Law”). The Health Care Reform Law is intended to extend health insurance to over 32 million uninsured Americans by 2019, and includes other significant changes with respect to the obligation to carry health insurance by individuals and the provision of health care by private and public employers, such as the City. Due to the complexity of the Health Care Reform Law it is likely that additional legislation will be considered and enacted in future years.

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

Provisions of Health Care Reform already implemented by HSS include discontinued eligibility for non-prescription drugs reimbursement through flexible spending accounts (“FSAs”) in 2011, eliminated copayments for wellness visits, eliminated life-time caps on coverage, and expanded eligibility to cover member dependent children up to age 26 in 2011, eliminated copayments for women’s preventative health including contraception in 2012, W-2 reporting on total healthcare premium costs, implementation of a medical loss ratio rebate on self-insured plans, issuance of a separate summary of benefits to every member and provided to every new member and providing information on State Exchanges to both employees currently on COBRA and future COBRA recipients. As of 2014 and 2015, and beyond, healthcare FSAs are limited to \$2,500 annually.

The change to the definition of a full time employee was implemented in 2015. The City modified health benefit eligibility to employees who are employed, on average, at least 30 hours of service per week or 130 hours in a calendar month.

The Automatic Enrollment requirement in the Health Care Reform was deferred until 2016. This requires that employers automatically enroll new full-time employees in one of the employer's health benefit plans (subject to any waiting period authorized by law). Further it is required than employees be given adequate notice and the opportunity to opt out of any coverage in which they were automatically enrolled. It is uncertain when final guidance will be issued by the Department of Labor.

As a result of the federal Health Care Reform Law there are two direct fees and one tax that have been factored into the calculation of medical premium rates and premium equivalents for the 2015 plan year. The three fees are the Federal Health Insurer Tax ("HIT"), Patient Centered Outcomes Research Institute ("PCORI") fee, and the Transitional Reinsurance Fee. The total impact on the City in 2015 is \$15.06 million.

The Federal HIT tax is a fixed-dollar amount distributed across health insurance providers for fully insured plans. The 2015 plan year premiums for Kaiser Permanente and Blue Shield of California included the impact of the HIT tax. The impact on the City only in 2015 is \$11.91 million.

Beginning in 2013, the Patient Center Outcomes Research Institute ("PCORI") Fee was assessed at the rate of \$2.00 per enrollee per year was assessed per year to all participants in the Self-Insured medical-only plan (approximately 8,600). The fee is charged directly to the Health Service System. In 2014 the rate was \$2.10 and is approximately \$2.22 in 2015. The 2015 impact of PCORI is \$0.20 million, HSS pays this fee directly to the Internal Revenue Service (IRS) and the fee will increase with health care inflation until it sunsets in 2019.

The Transitional Reinsurance Fee decreases from \$63/year fee on each Health Service System beneficiary for plan year 2014. The Transitional Reinsurance Fee will be \$44.00 in 2015 and the impact on the City is \$2.95 million.

Local Elections:

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

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

Proposition C (2011) City Pension and Health Care Benefit

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

Employer Contributions for Health Service System Benefits

For fiscal year 2014-15, based on the most recent audited financial statements, the Health Service System received approximately \$656.4 million from participating employers for Health Service System benefit costs. Of this total, the City contributed approximately \$529.4 million; approximately \$159.3 million of this \$529.4 million amount was for health care benefits for approximately 26,454 retired City employees and their eligible dependents and approximately \$383.2 million was for benefits for approximately 63,611 active City employees and their eligible dependents.

The 2015 aggregate plan costs for the City decreased by 2.78%. This flattening of the healthcare cost curve is due to a number of factors including lower use of healthcare during recessions, aggressive contracting by HSS that maintains competition among our vendors, implementing Accountable Care Organizations (ACO's) that reduced utilization and increased use of generic prescription rates and changing our Blue Shield plan from a fully-funded to a

flex-funded product. Flex-funding allows lower premiums to be set by our actuarial consultant, AON-Hewitt, without the typical margins added by Blue Shield; however, more risk is assumed by the City and reserves are required to protect against this risk. The Health Service Board also approved the use of \$8.8 million in Health Service Trust Fund assets to decrease both the employee and employer premium costs for the Blue Shield of California (Flex-Funded). The flatten trend is anticipated to continue.

Post-Employment Health Care Benefits and GASB 45

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

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

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

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

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

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

City's Estimated Liability. The City is required by GASB 45 to prepare a new actuarial study of its post-retirement benefits obligation every two years. In its February 24, 2015 report, Cheiron, Inc. estimated that the City's unfunded liability was approximately \$4.00 billion as of July 1, 2012. This estimate assumed a 4.45% return on investments and had an ARC for fiscal year 2014-15 of approximately \$350.4 million. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excesses) amortized over thirty years. The ARC was determined based on the July 1, 2012 actuarial valuation. The covered payroll (annual payroll of active employees covered by the plan) was \$2.5 billion and the ratio of the UAAL to the covered payroll was 162.0%.

The difference between the estimated ARC and the amount expended on post-retirement medical benefits in any year is the amount by which the City's overall liability for such benefits increases in that year. The City's most recent CAFR estimated that the 2014-15 annual OPEB cost was \$363.6 million, of which the City funded \$167.2 million which caused, among other factors, the City's long-term liability to increase by \$196.4 million (as shown on the City's balance sheet and below). The annual OPEB cost consists of the ARC, one year of interest on the net OPEB obligation, and recognition of one year of amortization of the net OPEB obligation. While GASB 45 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB obligation. See Note 9(b) to the City's CAFR, as of June 30, 2015, included as Appendix B to this Official Statement. Five-year trend information is displayed in Table A-18 (dollars in thousands):

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2010-11 to 2014-15
(000s)

Fiscal Year Ended	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
6/30/2011	\$392,151	37.2%	\$1,099,177
6/30/2012	405,850	38.5%	1,348,883
6/30/2013	418,539	38.3%	1,607,130
6/30/2014	353,251	47.2%	1,793,753
6/30/2015	363,643	46.0%	1,990,155

The September 2014 draft Cheiron Report estimates that the total long-term actuarial liability will reach \$5.7 billion by 2030. The calculations in the Cheiron Report are sensitive to a number of critical assumptions, including, but not limited to, the projected rate of increase in health plan costs.

Actuarial projections of the City's OPEB liability will be affected by Proposition B as well as by changes in the other factors affecting that calculation. For example, the City's actuarial analysis shows that by 2031, Proposition B's three-percent of salary funding requirement will be sufficient to cover the cost of retiree health benefits for employees hired after January 10, 2009. See "Retirement System – *Recent Voter Approved Changes to the Retirement Plan*" above. As of June 30, 2015, the fund balance in the Retiree Health Care Trust Fund established by Proposition B was \$73.0 million. Future projections of the City's GASB 45 liability will be lowered by the HSS implementation of the Employer Group Waiver Plan (EGWP) prescription benefit program for City Plan retirees. See "– Local Elections: Proposition C (2011)."

Total City Employee Benefits Costs

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

The balance in the Retiree Health Care Trust Fund as of June 30, 2015 is approximately \$73 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-19 provides a five-year history for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-19 below provides a summary of the City's employee benefit actual and budgeted costs from fiscal years 2010-11 to fiscal year 2015-16.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2010-11 through 2015-16
(000s)

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actual	Actual	Actual	Actual	Actual	Budget
SFERS and PERS Retirement Contributions	\$368,184	\$428,263	\$452,325	\$535,309	\$593,619	\$526,927
Social Security & Medicare	140,828	147,682	156,322	160,288	171,877	184,824
Health - Medical + Dental, active employees ¹	327,850	363,344	370,346	369,428	383,218	412,095
Health - Retiree Medical ¹	145,756	151,301	155,885	161,859	146,164	158,286
Other Benefits ²	23,173	21,766	16,665	16,106	18,439	24,416
Total Benefit Costs	\$1,005,791	\$1,112,355	\$1,151,543	\$1,242,990	\$1,313,318	\$1,306,548

Fiscal year 2010-11 through fiscal year 2014-15 figures are audited actuals. Fiscal year 2015-16 figures are original budget.

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

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

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

INVESTMENT OF CITY FUNDS

Investment Pool

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

Investment Policy

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

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. See "APPENDIX C – City and County of San Francisco Office of the Treasurer – Investment Policy" for a complete copy of the Treasurer's Investment Policy, dated May 2016. The Investment Policy is also posted at the Treasurer's website. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of August 31, 2016, the City's surplus investment fund consisted of the investments classified in Table A-20, and had the investment maturity distribution presented in Table A-21.

TABLE A-20

**City and County of San Francisco
Investment Portfolio
Pooled Funds
As of August 31, 2016**

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	\$ 500,000,000	\$ 498,161,133	\$ 500,567,000
Federal Agencies	3,639,878,000	3,644,010,142	3,641,433,981
State and Local Obligations	246,949,000	249,070,333	248,579,391
Public Time Deposits	1,200,000	1,200,000	1,200,000
Negotiable Certificates of Deposit	1,265,000,000	1,265,069,012	1,265,353,898
Banker's Acceptances			
Commercial Paper	470,000,000	467,163,229.17	468,334,959.72
Medium Term Notes	312,899,000	313,483,474	313,384,440
Money Market Funds	320,616,665	320,616,665	320,616,665
Supranationals	50,000,000	49,957,500	50,004,500
Total	\$ 6,806,542,665	\$ 6,808,731,488	\$ 6,809,474,834

August 2016 Earned Income Yield: 0.810%

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-21

**City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of August 31, 2016**

Maturity in Months				Par Value	Percentage
0	to	1		\$780,491,665	11.47%
1	to	2		355,950,000	5.23%
2	to	3		130,565,000	1.92%
3	to	4		575,520,000	8.46%
4	to	5		304,415,000	4.47%
5	to	6		551,759,000	8.11%
6	to	12		1,310,568,000	19.25%
12	to	24		1,635,805,000	24.03%
24	to	36		903,250,000	13.27%
36	to	48		156,450,000	2.30%
48	to	60		101,769,000	1.50%
				\$6,806,542,665	100.00%

Weighted Average Maturity: 395 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, 2014 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2015," Notes 2(d) and 5.

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a ten-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC, composed of other City finance and capital project officials, makes recommendations to the Mayor and Board of Supervisors on all of the City's capital expenditures. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

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

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal year 2016-2025 Capital Plan was approved by the CPC on March 2, 2015 and was adopted by the Board of Supervisors in April 2015. The Capital Plan contains \$32 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 \$1.66 billion for General Fund pay-as-you-go capital projects over the next ten years. The amount for General Fund pay-as-you-go capital projects is assumed to grow to over \$200 million per year by fiscal year 2025-26. Major capital projects for General Fund-supported departments included in the Capital Plan consist of upgrades to public health, police, fire and park facilities; street and right-of-way improvements; the removal of barriers to accessibility; park improvements; the replacement of the Hall of Justice; and seismic upgrades to the Veteran's Memorial Building, among other capital projects. Approximately \$1.8 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long-term obligations. The balance is expected to be funded by federal and State funds, the General Fund, and other sources.

In addition to the City General Fund-supported capital spending, the Capital Plan recommends \$18.2 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments, and the Sewer System Improvement Program, among others. Approximately \$12.2 billion of enterprise fund department capital projects is financed with voter-approved revenue bonds and other long-term obligations. 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 \$8.5 billion in capital needs are deferred from the plan’s horizon. Over two-thirds of these unfunded needs are for the City’s transportation and waterfront infrastructure, where core maintenance investments have lagged for decades. Mayor Edwin Lee has convened a taskforce to recommend funding mechanisms to bridge a portion of the gaps in the City’s transportation needs, but it is likely that significant funding gaps will remain even assuming the identification of significant new funding sources for these needs.

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

Tax-Supported Debt Service

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes (“general obligation bonds”) can only be authorized with a two-thirds approval of the voters. As of October 1, 2016, the City had approximately \$2.01 billion aggregate principal amount of general obligation bonds outstanding.

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

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of October 1, 2016^{1 2}

Fiscal Year	Principal	Interest	Annual Debt Service
2017	120,004,110	89,905,140	209,909,250
2018	117,298,225	83,985,938	201,284,163
2019	117,395,545	78,352,968	195,748,513
2020	116,436,232	72,597,781	189,034,013
2021	114,695,457	66,934,256	181,629,713
2022	120,393,401	61,651,993	182,045,394
2023	123,760,251	56,034,675	179,794,926
2024	126,041,206	50,073,800	176,115,006
2025	126,551,476	43,974,850	170,526,326
2026	121,461,279	38,014,639	159,475,918
2027	126,345,840	32,594,604	158,940,444
2028	130,924,035	26,973,090	157,897,125
2029	131,011,751	21,541,949	152,553,700
2030	126,895,095	16,093,123	142,988,218
2031	88,566,950	10,780,908	99,347,858
2032	91,600,000	7,439,281	99,039,281
2033	56,745,000	4,048,069	60,793,069
2034	31,990,000	1,917,069	33,907,069
2035	22,940,000	778,475	23,718,475
TOTAL ³	\$2,011,055,853	\$763,692,608	\$2,774,748,461

¹ This table does not reflect any debt other than City direct tax-supported debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

² Totals reflect rounding to nearest dollar.

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

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

General Obligation Bonds

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

In November 1992, voters approved Proposition A, which authorized the issuance of up to \$350.0 million in general obligation bonds to provide moneys to fund the City's Seismic Safety Loan Program (the "Loan Program"). The purpose of the Loan Program is to provide loans for the seismic strengthening of privately-owned unreinforced masonry buildings in San Francisco for affordable housing and market-rate residential, commercial and institutional purposes. In April 1994, the City issued \$35.0 million in taxable general obligation bonds to fund the Loan Program and in October 2002, the City redeemed all outstanding bonds remaining from such issuance. In February 2007, the Board of Supervisors approved the issuance of additional indebtedness under this authorization in an amount not to exceed \$35.0 million. Such issuance would be achieved pursuant to the terms of a Credit Agreement with Bank of America, N.A. (the "Credit Bank"), under which the Credit Bank agreed to fund one or more loans to the City from time to time as evidenced by the City's issuance to the Credit Bank of the Taxable General Obligation Bond (Seismic Safety Loan Program), Series 2007A. The funding by the Credit Bank of the loans at the City's request and the terms of repayment of such loans are governed by the terms of the Credit Agreement. Loan funds received by the City from the Credit Bank are in turn used to finance loans to Seismic Safety Loan Program borrowers. In March 2007, the City initiated an initial borrowing of \$2.0 million, and in October 2007, the City borrowed approximately \$3.8 million from the Credit Bank. In January 2008, the City borrowed approximately \$3.9 million and in November 2008, the City borrowed \$1.3 million from the Credit Bank. Further borrowings under the Credit Agreement with the Credit Bank (up to the \$35.0 million not-to-exceed amount) are expected as additional loans to Seismic Safety Loan Program borrowers are approved.

In February 2008, voters approved Proposition A, which authorized the issuance of up to \$185.0 million in general obligation bonds for the construction, reconstruction, purchase, and/or improvement of park and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under Proposition A in the amount of approximately \$42.5 million in August 2008. The City issued the second series in the amount of approximately \$60.4 million in March 2010 and the third series in the amount of approximately \$73.4 million in March 2012. The City issued the fourth series in the amount of approximately \$8.7 million in January 2016. In June 2010, voters approved Proposition B, which authorized the issuance of up to \$412.3 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement and retrofitting of neighborhood fire and police stations, the auxiliary water supply system, a public safety building, and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds under Proposition B in the amount of \$79.5 million in December 2010 and the second series of bonds in the amount of \$183.3 million in March 2012. The City issued the third series in the amount of approximately \$38.3 million in August 2012 and the fourth series of bonds in the amount of \$31.0 million in June 2013, and the fifth series in the amount of \$54.9 million was issued in October 2014. The final series was issued in June 2016 in the amount of approximately \$25 million. In November 2011, voters approved Proposition B, which authorized the issuance of up to \$248.0 million in general obligation bonds to provide funds to repair and repave City streets and remove potholes; strengthen and seismically upgrade street structures; redesign street corridors by adding or improving pedestrian signals, lighting, sidewalk extensions, bicycle lanes, trees and landscaping; construct and renovate curb ramps and sidewalks to increase accessibility and safety for everyone, including persons with disabilities; and add and upgrade traffic signals to improve MUNI service and traffic flow. The City issued the first series of bonds under Proposition B in the amount of approximately \$74.3 million in March 2012 and the second series of bonds in the amount of \$129.6 million in June 2013. The City issued the final series in June 2016 in the amount of approximately \$109 million.

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

In June 2014, voters approved Proposition A, which authorized the issuance of up to \$400.0 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement and retrofitting of neighborhood fire and police stations, emergency firefighting water system, medical examiner facility, traffic

company & forensic services division and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds in the amount of \$100.6 million in October 2014 and the second series of bonds in the amount of \$44 million in June 2016.

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

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

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

Refunding General Obligation Bonds

The Board of Supervisors adopted Resolution No. 272-04 on May 11, 2004 (the “2004 Resolution”). The Mayor approved the 2004 Resolution on May 13, 2004. The 2004 Resolution authorized the issuance of not to exceed \$800.0 million aggregate principal amount of its General Obligation Refunding Bonds from time to time in one or more series for the purpose of refunding all or a portion of the City’s then outstanding General Obligation Bonds. On November 1, 2011, the Board of Supervisors adopted, and the Mayor approved, Resolution No. 448-11 (the “2011 Resolution,” and together with the 2004 Resolution, the “Refunding Resolutions”). The 2011 Resolution authorized the issuance of not to exceed \$1.356 billion aggregate principal amount of the City’s General Obligation Refunding Bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. The City has issued eight series of refunding bonds under the Refunding Resolutions, as shown on Table A-23.

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TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of October 1, 2016

Series Name	Date Issued	Principal Amount Issued (000s)	Amount Outstanding
2008-R1	May 2008	\$232,075,000	\$8,170,000
2008-R2	July 2008	39,320,000	11,105,000
2008-R3	July 2008	118,130,000	-
2011-R1	November 2011	339,475,000	226,920,000 ¹
2015-R1	February 2015	293,910,000	277,165,000 ²

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

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

Table A-24 below lists for each of the City's voter-authorized general obligation bond programs the amount originally authorized, 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 October 1, 2016, the City had authorized and unissued general obligation bond authority of approximately \$1.62 billion.

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TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of October 1, 2016

<u>Description of Issue (Date of Authorization)</u>	<u>Series</u>	<u>Issued</u>	<u>Outstanding</u> ¹	<u>Authorized & Unissued</u>
Seismic Safety Loan Program (11/3/92)	2007A	\$30,315,450	\$22,765,853	
	2015A	24,000,000	24,000,000	260,684,550
Clean & Safe Neighborhood Parks (2/5/08)	2010B	24,785,000	7,510,000	
	2010D	35,645,000	35,645,000	
	2012B	73,355,000	53,215,000	
	2016A	8,695,000	8,120,000	
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	15,800,000	
	2010A	120,890,000	36,645,000	
	2010C	173,805,000	173,805,000	
	2012D	251,100,000	170,800,000	
	2014A	209,955,000	176,035,000	
Earthquake Safety and Emergency Response Bond (6/8/10)	2010E	79,520,000	45,425,000	
	2012A	183,330,000	133,965,000	
	2012E	38,265,000	32,805,000	
	2013B	31,020,000	19,065,000	
	2014C	54,950,000	46,910,000	
	2016C	25,215,000	24,110,000	
Road Repaving & Street Safety (11/8/11)	2012C	74,295,000	54,480,000	
	2013C	129,560,000	79,570,000	
	2016E	44,145,000	42,200,000	
Clean & Safe Neighborhood Parks (11/6/12)	2013A	71,970,000	44,215,000	
	2016B	43,220,000	26,345,000	79,810,000
Earthquake Safety and Emergency Response Bond (6/3/14)	2014D	100,670,000	85,920,000	
	2016D	109,595,000	81,340,000	189,735,000
Transportation and Road Improvement (11/4/15)	2015B	67,005,000	47,005,000	432,995,000
Affordable Housing Bond (11/4/15)		-	-	310,000,000
Public Health and Safety Bond (6/7/16)		-	-	350,000,000
SUB TOTALS		\$2,136,955,450	\$1,487,695,853	\$1,623,224,550
General Obligation Refunding Bonds:				
Series 2008-R1 issued 5/29/08		232,075,000	8,170,000	
Series 2008-R2 issued 5/29/08		39,320,000	11,105,000	
Series 2011-R1 issued 11/9/12		339,475,000	226,920,000	
Series 2015-R1 issued 2/25/15		293,910,000	277,165,000	
SUB TOTALS		904,780,000	523,360,000	
TOTALS		\$3,041,735,450	\$2,011,055,853	\$1,623,224,550

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.

Lease Payments and Other Long-Term Obligations

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

Table A-25 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and certificates of participation as of October 1, 2016. Note that the annual payment obligations reflected in Table A-25 reflect the fully accreted value of any capital appreciation obligations as of the payment dates.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of October 1, 2016

Fiscal Year	Principal	Interest	Annual Payment Obligation
2017	30,475,000	53,752,490	84,227,490
2018	62,120,000	47,767,339	109,887,339
2019	54,205,000	45,226,132	99,431,132
2020	39,565,000	43,037,463	82,602,463
2021	47,800,000	41,030,633	88,830,633
2022	47,705,000	38,955,222	86,660,222
2023	49,775,000	36,849,250	86,624,250
2024	51,440,000	34,647,044	86,087,044
2025	51,195,000	32,345,528	83,540,528
2026	51,080,000	30,082,534	81,162,534
2027	53,465,000	27,691,181	81,156,181
2028	54,160,000	25,193,263	79,353,263
2029	56,645,000	22,623,351	79,268,351
2030	56,430,000	19,952,428	76,382,428
2031	48,005,000	17,306,077	65,311,077
2032	37,320,000	14,894,708	52,214,708
2033	35,455,000	13,113,843	48,568,843
2034	37,060,000	11,353,856	48,413,856
2035	24,895,000	9,741,125	34,636,125
2036	23,315,000	8,515,394	31,830,394
2037	21,505,000	7,364,158	28,869,158
2038	22,400,000	6,281,175	28,681,175
2039	23,325,000	5,152,823	28,477,823
2040	24,305,000	3,973,519	28,278,519
2041	25,310,000	2,744,513	28,054,513
2042	18,140,000	1,629,071	19,769,071
2043	8,815,000	958,600	9,773,600
2044	7,195,000	587,000	7,782,000
2045	7,480,000	299,200	7,779,200
TOTAL ¹	1,070,585,000	\$603,068,920 ²	\$1,673,653,920

¹ Totals reflect rounding to nearest dollar.

² For purposes of this table, the interest rate on the Lease Revenue Bonds Series 2008-1, and 2008-2 (Moscone Center Expansion Project) is assumed to be 3.25%. These bonds are in variable rate mode.

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

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

In 1987, voters approved Proposition B, which authorizes the City to lease finance (without limitation as to maximum aggregate par amount) the construction of new parking facilities, including garages and surface lots, in eight of the City's neighborhoods. In July 2000, the City issued \$8.2 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002. There is no current plan to issue any more bonds under Proposition B.

In 1990, voters approved Proposition C, which amended the Charter to authorize the City to lease-purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed \$20.0 million, with such amount increasing by five percent each fiscal year. As of October 1, 2016 the total authorized amount for such financings was \$67.7 million. The total principal amount outstanding as of October 1, 2016 was \$3.54 million.

In 1994, voters approved Proposition B, which authorized the issuance of up to \$60.0 million in lease revenue bonds for the acquisition and construction of a combined dispatch center for the City's emergency 911 communication system and for the emergency information and communications equipment for the center. In 1997 and 1998, the Corporation issued \$22.6 million and \$23.3 million of Proposition B lease revenue bonds, respectively, leaving \$14.0 million in remaining authorization. There is no current plan to issue additional series of bonds under Proposition B.

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

On March 7, 2000, voters approved Proposition C, which extended a two and one half cent per \$100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. The City issued approximately \$27.0 million and \$42.4 million of such Open Space Fund lease revenue bonds in October 2006 and October 2007, respectively.

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

Commercial Paper Program

The Board authorized on March 17, 2009 and the Mayor approved on March 24, 2009 the establishment of a not-to-exceed \$150.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 1 and 1-T and Series 2 and 2-T (the "CP Program"). Commercial Paper Notes (the "CP Notes") are issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles in anticipation of long-term or other take-out financing to be issued when market conditions are favorable. Projects are eligible to access the CP Program once the Board and the Mayor have approved the project and the long-term, permanent financing for the project. The former Series 1 and 1-T and Series 2 and 2-T letters of credit issued in 2010 by J.P. Morgan Chase Bank, N.A. and U.S. Bank, N.A. expired in June 2016. In May 2016, the City obtained renewal credit facilities securing the CP Notes issued by State Street Bank and Trust Company with a maximum principal amount of \$75 million and by U.S. Bank, N.A. with a maximum principal amount of \$75 million. The renewal credit facilities will expire in May 2021.

The Board authorized on July 16, 2013 and the Mayor approved on July 25, 2013 an additional \$100.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 3 and 3-T and Series 4 and 4-T that

increases the total authorization of the CP Program to \$250.0 million. The Series 3 and 3-T and 4 and 4-T are secured by a letter of credit issued by State Street Bank and Trust Company expiring February 2019.

As of October 1, 2016, the outstanding principal amount of CP Notes is \$146.4 million. The weighted average interest rate for CP Notes is approximately 0.73%.

Board Authorized and Unissued Long-Term Obligations

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

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

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

Overlapping Debt

Table A-26 shows bonded debt and long-term obligations as of October 1, 2016 sold in the public capital markets by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

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TABLE A-26

CITY AND COUNTY OF SAN FRANCISCO
Statement of Direct and Overlapping Debt and Long-Term Obligations

2015-2016 Assessed Valuation (net of non-reimbursable & homeowner exemptions):		\$211,523,524,208
	Outstanding	
	10/1/2016	
<u>DIRECT GENERAL OBLIGATION BOND DEBT</u>		
General City Purposes Carried on the Tax Roll		\$2,011,055,853
GROSS DIRECT DEBT		\$2,011,055,853
<u>DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS</u>		
San Francisco COPs, Series 2001A (30 Van Ness Ave. Property)		\$24,770,000
San Francisco Finance Corporation, Equipment LRBs Series 2011A, 2012A, and 2013A		3,540,000
San Francisco Finance Corporation Emergency Communication Refunding Series, 2010-R1		11,950,000
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2		99,620,000
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007		47,000,000
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A		28,045,000
San Francisco COPs, Series 2007A (City Office Buildings - Multiple Properties)		2,295,000
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)		131,710,000
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Street Improvement Project)		32,250,000
San Francisco COPs, Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt		26,480,000
San Francisco COPs, Series 2009D Office Project (525 Golden Gate Avenue) Taxable BABs		129,550,000
San Francisco Refunding Certificates of Participation, Series 2010A		105,045,000
San Francisco COPs, Refunding Series 2011AB (Moscone)		40,390,000
San Francisco COPs, Series 2012A Multiple Capital Improvement Projects (Street Improvement Project)		38,135,000
San Francisco COPs, Series 2013A Moscone Center Improvement		7,750,000
San Francisco COPs, Series 2013BC Port Facilities		33,335,000
San Francisco COPs, Series 2014-R1 (Courthouse Project), 2014-R2 (Juvenile Hall Project)		41,395,000
San Francisco COPs, Series 2015AB War Memorial Veterans Building Seismic Upgrade and Improvements		130,280,000
San Francisco Refunding COPs, Series 2015-R1 (City Office Buildings-Multiple Properties Project)		120,920,000
San Francisco COPs, Series 2016A War Memorial Veterans Building Seismic Upgrade and Improvements		16,125,000
LONG-TERM OBLIGATIONS		\$1,070,585,000
GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS		\$3,081,640,853
<u>OVERLAPPING DEBT & LONG-TERM OBLIGATIONS</u>		
Bayshore Hester Assessment District		\$550,000
San Francisco Bay Area Rapid Transit District (33%) Sales Tax Revenue Bonds		77,490,000
San Francisco Bay Area Rapid Transit District (29%) General Obligation Bonds, Series 2005A, 2007B		102,494,000
San Francisco Community College District General Obligation Bonds - Election of 2001, 2005		262,945,000
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds - 2011		34,260,000
San Francisco Redevelopment Agency Obligations (Property Tax Increment)		760,367,853
San Francisco Redevelopment Agency Obligations (Special Tax Bonds)		151,301,115
Association of Bay Area Governments Obligations (Special Tax Bonds)		18,140,000
Special Tax District No. 2009-1 Improvement Area 1, 2 SF Sustainable Financing		2,999,392
San Francisco Unified School District General Obligation Bonds, Series Election of 2003, 2006, and 2011		916,490,000
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS		\$2,327,037,360
GROSS COMBINED TOTAL OBLIGATIONS		\$5,408,678,213 ¹
<u>Ratios to Assessed Valuation:</u>	<u>Actual Ratio</u>	<u>Charter Req.</u>
Gross Direct Debt (General Obligation Bonds)	0.95%	< 3.00%
Gross Direct Debt & Long-Term Obligations	1.46%	n/a
Gross Combined Total Obligations	2.56%	n/a

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

² Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all taxable real and personal property, located within the City and County.

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

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

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

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

MAJOR ECONOMIC DEVELOPMENT PROJECTS

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

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

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

infrastructure, and provide approximately \$90 million in community benefits. The Project's full build out will occur over 20 to 30 years. In the next five years over 1,000 units of housing and 26 acres of parks will be completed in the first phase of the Shipyard.

The first phase of development has begun at the Hunters Point Shipyard site with over 300 units currently under construction, and an additional 150 units will begin construction in 2015-2016. In late 2014 construction of horizontal infrastructure began for the first 184 affordable units in the Candlestick Point area. Also, in 2015, the design process will begin for a 635,000 square foot mixed-use retail center, 150,000 square foot hotel at the former Candlestick Stadium site and an additional 1200 residential units, including 230 stand-alone affordable units and up to 100 inclusionary units. Two hillside open space areas at the base of Bayview Hill will be improved and a new wedge park plaza will also be constructed, adding a total of 7.5 acres of open space adjacent to the new retail and residential development.

Treasure Island

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

The first major land transfer from the Navy to the Treasure Island Development Authority ("TIDA") will occur in early 2015 and will include the northern half of Yerba Buena Island and more than half of the area of Treasure Island. The developer, Treasure Island Community Development ("TICD"), is performing the preliminary engineering and pursuing the permits required to begin construction before the end of 2015. The first phase of development will include extensive horizontal infrastructure improvements (utilities, roadway improvements, site preparation, etc.) as well as the initial vertical developments. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

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

The Golden State Warriors, a National Basketball Association (NBA) team, is proposing to develop a multipurpose recreation and entertainment venue and associated development the former Salesforce site in Mission Bay. The site is bordered by Third Street to the West, Terry Francois Boulevard to the East, 16th Street to the South and South Street to the North. The Warriors propose constructing a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts and family shows. The site will also have two live performance theatres, restaurants retail, office space, bike valet, public plazas and a limited amount of parking. The project will trigger the Mission Bay master developer's construction of a new 3.5 acre Bay Front Park between the new arena and the Bay. Environmental review is currently underway with the goal of opening in time for the 2018-2019 basketball season.

Transbay

The Transbay Project Redevelopment Project Area was adopted in 2005 with the purpose of redeveloping 10 acres of property owned by the State in order to generate funding for the new Transbay Transit Center. In 2012 the Transit Center District Plan, the guiding document for the area surrounding the Transit Center, was approved by the Planning Commission and by the Board of Supervisors. The Transit Center District Plan includes additional funding sources for the Transbay Transit Center. The Transbay Transit Center Project will replace the outdated Transbay Terminal at First and Mission Streets with a modern transit hub and extend the Caltrain commuter rail line underground 1.3 miles into the Financial District. The Transbay Transit Center broke ground on August 11, 2010, and is scheduled to open by the end of 2017. Demolition of existing structures on the site was completed in August 2011.

The area surrounding the Transbay Transit Center is being redeveloped with plans for 4,500 new homes, 1,200 to be affordable below-market rate homes, 6 million square feet of new office space, over 11 acres of new parks and open

space, and a new retail boulevard on Folsom Street. Much of this new development will occur on the publicly-owned parcels within the district. Recently completed in the neighborhood is Rene Cazenave Apartments which is 120 units of permanent affordable housing for formerly homeless individuals. There are over 470 units currently under construction on Folsom and Beale Streets, with three new construction projects along Folsom Street totaling over 1,800 units expected to break ground within the next two years. There is also over 2 million square feet of commercial space currently under construction, with several new projects expected to break ground in the coming years.

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

Mission Bay

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

Over 4,067 units have been completed with an additional 900 units under construction, along with several new parks. Another 550 housing units, a 250-room hotel and several new commercial buildings will break ground in 2015. As discussed above, the design development process has also begun for that Golden State Warriors project.

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

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

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

In the wake of the passage of Proposition B on the June 2013 ballot, the developer, Port and OEWD staff have continued to engage relevant agencies and stakeholders to further refine the project plan. The environmental review process was initiated in January 2014 and is expected to last until early to mid-2016. That process will be accompanied by negotiation of transaction agreements and approval of any needed height limit and zoning changes which will likely determine the final approval schedule (currently expected on or after early 2017).

Pier 70

Plans for Pier 70 call for substantial development, including major parks and historic building rehabilitation, on this 69-acre site to achieve a number of goals, including preservation and adaptive reuse of historic structures; retention of the ship repair operations; provision of new open space; reactivation and economic development on the site; and needed infrastructure and site remediation. The Port, which controls Pier 70, and OEWD, in its capacity as lead negotiator, have initiated preliminary negotiations with Forest City, the developer selected to build a new mixed-use neighborhood on a 25-acre portion of Pier 70 known as the Waterfront Site. The parties have agreed on a development concept and corresponding financial terms for the Waterfront Site, which are reflected in a non-binding Term Sheet that the Port Commission and Board of Supervisors have endorsed and which will be finalized in a Development Agreement following community and environmental review. In November 2014, Proposition F was approved by the voters, authorizing an increase of height limits on Pier 70 from 40 feet to 90 feet.

Current development plans for the Pier 70 Waterfront Site call for 7 acres of parks and up to 3.25 million square feet of above-grade construction (not including parking) which may include up to 1.7 million square feet of office space; up to 400,000 square feet of retail, small-scale production, arts space intended to establish the new district as destination with unique character; and between 935 and 1825 housing units, with as many as 30% percent of them made available to low- and middle- income households. This built area includes three historic industrial buildings that will be rehabilitated as part of the Waterfront Site development.

Cruise Terminal

On September 25, 2014 the Port opened the new James R. Herman cruise ship terminal at Pier 27. Formerly the base for the America's Cup races in the summer of 2013, the Cruise Terminal includes 91,000 square feet in a two-story building with views to the Bay Bridge and back to the City skyline and Telegraph Hill. Sized for 2,600 passengers and able to handle ships with up to 4,000 passengers, the Cruise Terminal is designed for the evolving trends in the passenger cruise industry. It includes the latest passenger and perimeter security features while also transitioning to an event center for the City on non-cruise days. The site also includes a 2.5 acre Cruise Terminal Plaza along the Embarcadero, creating a new open space amenity and strengthening connection between the Bay and the base of Telegraph Hill.

The James R. Herman Cruise Terminal has been designed to meet modern ship and operational requirements of the cruise industry and expects to receive a LEED Silver designation for its environmental design.

The Cruise Terminal contributes to San Francisco's economy by attracting 40-80 cruise calls a year, bringing visitors and tax revenue to the City's General Fund. It is estimated that the cruise industry in San Francisco supports \$31.2 million annually in economic activity and generates 300 jobs within San Francisco. The facility will continue to be used for maritime events, such as Fleet Week, foreign naval diplomatic calls, Tall Ship festivals and visits by oceanic research vessels. When there are no cruise calls, the cruise terminal will provide approximately 60,000 square feet of designated space for shared uses, including meetings and special events.

San Francisco Public Works, along with the Port were responsible for construction management of the new cruise terminal. Contractor for the construction project was Turner Construction and Designers/Architects were KMD Kaplan McLaughlin Diaz, Pfau Long Architecture, JV Bermello Ajamil & Partners and cruise terminal design consultants.

Moscone Convention Center

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

In addition to adding new rentable square footage, the project architects propose an iconic sense of arrival that enhances Moscone's civic presence on Howard Street and reconnects it to the surrounding neighborhood through the creation of reintroduced lost mid-block passageways. As such, the project proposes a new mid-block pedestrian

entrance from Third St and a replacement pedestrian bridge connecting Yerba Buena Gardens with the cultural facilities and children's playground to the south. An additional enclosed pedestrian bridge would provide enhanced circulation for Moscone convention attendees and reduce on-street congestion.

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

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

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

Article 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 A.

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

Articles XIII C and XIII D of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XIII C and XIII 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 XIII 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 XIII C reduce the City's flexibility to manage fiscal problems through new, extended or increased taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article 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.

Statutory Limitations

On November 4, 1986, California voters adopted Proposition 62, an initiative statute that, among other things, requires (i) that any new or increased general purpose tax be approved by a two-thirds vote of the local

governmental entity's legislative body and by a majority vote of the voters, and (ii) that any new or increased special purpose tax be approved by a two-thirds vote of the voters.

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

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

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

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

Proposition 1A

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

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

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in

decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing aid to cities and spending on other State programs, or other actions, some of which could be adverse to the City.

Proposition 22

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

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

Proposition 26

On November 2, 2010, the voters approved Proposition 26 (“Proposition 26”), revising certain provisions of Articles XIII A and XIII C 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 C 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.

LITIGATION AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 16 to the City's CAFR as of June 30, 2015, attached as Appendix B to this Official Statement. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not impair the ability of the City to make debt service payments or otherwise meet its General Fund lease or debt obligations, nor materially impair the City's ability to fund current operations.

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

The TJPA began excavation and construction of the Transbay Transit Center in 2010, after the Millennium Tower was completed. In brief, the Lawsuit claims that the construction of the Transbay Transit Center harmed the Millennium Tower by causing it to settle into the soil more than planned and tilt toward the west/northwest, and the owners claim unspecified monetary damages for inverse condemnation and nuisance. The TJPA has said that the Millennium Tower was already sinking more than planned and tilting before the TJPA began construction of the Transbay Transit Center and that the TJPA took precautionary efforts to avoid exacerbating the situation. The City expects that other lawsuits will be filed against the TJPA relating to the subsidence and tilting of the Millennium Tower. Other than the Lawsuit, there is no other pending legal claim against the City regarding the Millennium Tower. The City continues to evaluate the Lawsuit, and the subject matter of the lawsuit, but cannot now make any prediction as to the outcome of the Lawsuit, or whether the Lawsuit, if determined adversely to the TJPA or the City, would have a material adverse impact on City finances.

Risk Retention Program

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

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

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

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

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

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY AND COUNTY OF SAN FRANCISCO
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



**CITY AND COUNTY OF
SAN FRANCISCO, CALIFORNIA**

**Comprehensive Annual Financial Report
Year ended June 30, 2015**



Prepared by:
Office of the Controller

A stylized, handwritten signature in black ink, appearing to read "B. Rosenfield".

Ben Rosenfield
Controller

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Comprehensive Annual Financial Report
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CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

November 23, 2015

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

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the year ended June 30, 2015, 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 Gint & O'Connell LLP and are presented in the Basic Financial Statements in this CAFR. The CAFR also incorporates financial statements of various City enterprise funds and component units, including the San Francisco International Airport, the San Francisco Water Enterprise, Hetch Hetchy Water and Power, the Municipal Transportation Agency, the San Francisco Wastewater Enterprise, the Port of San Francisco, the City and County of San Francisco Finance Corporation, the San Francisco County Transportation Authority, the City and County of San Francisco Health Service System, the San Francisco City and County Employees' Retirement System, and the Successor Agency to the San Francisco Redevelopment Agency.

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

KEY FINANCIAL REPORT SECTIONS:

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

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



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

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

SAN FRANCISCO'S ECONOMY:

Overview of Recent Trends

An educated workforce and easy access to transit and financial capital continue to drive business investment in the City. San Francisco's economy has fully recovered losses from the most recent recession, and growth continues to outpace that of the state and national economies. The City's unemployment rate in fiscal year 2014-15 declined to a rate of 3.9%, a drop of 1.0% from the prior fiscal year's rate of 4.9%. In comparison, average unemployment rates for California and the nation for fiscal year 2014-15 stood at 6.8% and 5.7%, respectively. Most importantly, this fall in unemployment rate is due to a strengthening labor market as opposed to people dropping out of the labor force. In fiscal year 2014-15, private nonfarm employment in the San Francisco Metropolitan Division grew 5.0% over the prior fiscal year, compared to 3.3% growth for the state overall.

The resident population also continued to grow, reaching a new historical high of 852,469 in 2014 according to the U.S. Census Bureau. This represents a 1.3% increase versus the prior year, and cumulative growth of 91,144 or 12% over the last decade.

Several local economic indicators have shown marked improvement over the past fiscal year. Housing prices, residential and commercial rents, hotel room and occupancy rates, and retail sales have all shown significant growth. San Francisco's taxable sales grew by 4.8% in fiscal year 2014-15, down from the 9.4% growth rate for the prior fiscal year. Average annual hotel occupancy grew to 87.3%, a new historical high, while average room rates grew by 9.7% over the prior year.

Several key indicators of the City's real estate market exhibited similar strength in fiscal year 2014-15. Commercial and residential rents and median home prices all increased to new historical highs. The average asking monthly rent for apartments in San Francisco rose to \$3,444 in fiscal year 2014-15, an increase of 10.7%. Monthly per square foot rental rates for Class A commercial space jumped to \$65.9 in fiscal year 2014-15, a 10.3% increase versus the prior fiscal year. The average median home price in the fiscal year grew to a new annual high of approximately \$1,027,063 up 15.9% from the previous fiscal year.

San Francisco's economic recovery has stimulated the demand for new residential and commercial space. A large amount of private construction was completed or underway during the last fiscal year, with 4,374 housing units completed and 8,130 additional units under construction at the end of the fiscal year. Building permits for nearly 7.5 million square feet of construction were issued during the year. Much of this development is shaped by major area planning efforts that the City has completed in recent years, including in the Eastern Neighborhoods, Market-Octavia, and the Transit Center District. The City has also adopted or approved large-scale development projects in Candlestick Point/Hunters Point Shipyard, Treasure Island, and Park Merced.

SAN FRANCISCO GOVERNMENT:

Profile of San Francisco Government

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

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

San Francisco's Budgetary Process

The budget is adopted at the character level of expenditure within each department, and the department level and fund is the legal level of budgetary control. Note 2(c) to the Basic Financial Statements summarizes the budgetary roles of City officials and the timetable for their various budgetary actions according to the City Charter.

The City has historically adopted annual budgets for all governmental funds and typically adopts project-length budgets for capital projects and certain debt service funds. The voters adopted amendments to the Charter in November 2009 designed to further strengthen the City's long-range financial planning. As a result of these changes, the City for the first time adopted a two-year budget for all funds for the two upcoming fiscal years in July 2012. The Charter requires that the City adopt a "rolling" two-year budget each year unless the Board of Supervisors authorizes a "fixed" two-year budget appropriation for a given fund, in which case authorization occurs every two years. As of fiscal year 2014-15 there were seven departments on a two-year fixed budget.

As further required by these amendments, the Board of Supervisors and Mayor adopt a five-year financial plan every two years. The most recent plan was adopted in March 2015. Additionally, these Charter changes provided a mechanism for the Controller to propose, and the Board to adopt, various binding financial policies, which can only be suspended by a supermajority of the Board. Financial policies have now been adopted under these provisions governing the City's budget reserve practices, the use of non-recurring revenues, and limits on the use of debt paid from the General Fund.

Internal and Budgetary Controls

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City maintains budgetary controls to ensure that legal provisions of the annual budget are in compliance and expenditures do not exceed budgeted amounts. Controls are exercised by integrating the budgetary and accounts in fund ledgers for all budgeted funds. An encumbrance system is also used to account for

purchase orders and other contractual commitments. Encumbered balances of appropriations at year-end are carried forward and are not reappropriated in the following year's budget.

Pension and Retiree Health Trust Fund Operations

The City has a defined benefit retirement plan in which a substantial majority of full-time employees participate. The plan's most recent actuarial calculations, as of July 1, 2014, estimate the plan is 85.3% funded, up from 80.6% as of that date in 2013. The market value of assets increased by approximately \$2.9 billion, reflecting higher than expected returns—18.8% actual return versus the assumed return of 7.5%. As a result, the value of the unfunded liability decreased by approximately \$2.0 billion. Member contributions to the plan increased 11.7% from the prior year primarily as a result of the employee cost-sharing provisions of Proposition C, which went into effect on July 1, 2012.

The City's unfunded retiree health benefit liability has been calculated at \$3.98 billion as of July 1, 2012. In 2009, the City and employees began to pre-fund prospective obligations through contributions of 3% of salary for employees hired on or after January 10, 2009. These contributions are held in an irrevocable trust, the Retiree Health Care Trust Fund. Beginning in fiscal year 2016-17, employees hired before January 10, 2009 will also start contributing to the Trust Fund with an employer match, starting at a combined 0.5% of salary and rising to 2.0% of salary by fiscal year 2019-20. As of June 30, 2015, the Trust Fund had a balance of \$73.0 million, an increase of 49% versus the prior year. Given increasing pay-as-you-go and prefunding contributions and reductions in the benefit level for recently-hired employees, the City expects to fund the Annual Required Contribution (ARC) by fiscal year 2019-20.

General Fund Financial Position Highlights

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

Total GAAP-basis General Fund balance, which includes funds reserved for continuing appropriations and reserves, ended fiscal year 2014-15 at \$1,145 million, up \$310 million from the prior year.

The General Fund's cash position also reflects a strong improvement in fiscal year 2014-15, rising to a new year-end peak of \$1.3 billion, up \$0.25 billion from June 30, 2014.

Strong revenue growth and the City's reserve policies have caused General Fund rainy day and budget stabilization reserves to grow to \$247 million as of June 30, 2015, a \$32 million increase from the prior year ending balance of \$215 million.

The majority of fund balance available for appropriation on a budgetary basis totaled \$390.8 million or \$16.6 million more than had been previously projected and appropriated by the Mayor and Board as a source in the adopted two-year budget for fiscal years 2015-16 and 2016-17.

Key Government Initiatives

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

Improving the City's Public Transportation Systems

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

Plans for a multi-modal transit hub located in the City's core – the Transbay Transit Center – are targeted to meet this regional need. The center is designed to provide expanded bus, commuter train, and ultimately high-speed rail connections into the City from within the region and state, and to provide pedestrian connections to nearby subway, surface rail, and bus services within the City. The former terminal at the site has been demolished with completion of the new center targeted for fiscal year 2017-18. The \$2.3 billion transit center, managed by a financially independent authority, is funded through a host of revenue sources, including federal stimulus funding, land sale proceeds, tax increment, local sales tax, and other revenues generated from planned dense, mixed-use development adjacent to the site.

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

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

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

The City continued to invest in improvements at San Francisco International Airport (SFO) in fiscal year 2014-15 as part of an approved capital plan of \$2.6 billion over the next five years. Completed projects during the fiscal year include runway safety area improvements and a new cargo facility, with work to construct a new air traffic control tower and renovations to Terminal 3 in construction. The plan also includes funds for programming, planning, and construction of the initial phases of the Terminal 1 Renovation Program, which has a projected cost of \$2.2 billion and anticipated phased completion dates through 2023. These projects are necessitated by the continued growth in passenger volumes at SFO, which accounts for 95% of international air travel and 71% of all air travel into the Bay Area.

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

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

As of the end of fiscal year 2014-15, the City was over 89% complete on a \$4.8 billion multi-year capital program to upgrade local and regional water systems, known as the Water System Improvement Program (WSIP). The WSIP program consists of both local and regional projects spread over seven counties from the Sierra foothills to San Francisco. The WSIP delivers capital improvements that enhance the system's ability to provide reliable, affordable, high-quality drinking water in an environmentally sustainable manner to its 27 wholesale and regional retail customers in Alameda, Santa Clara, San Mateo, and San Francisco

counties, collectively serving some 2.6 million people. The program is structured to cost effectively meet water quality requirements, improve seismic and delivery reliability, and meet long-term water supply objectives.

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

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

Expanding Access to Healthcare

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

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

Over 97,000 San Franciscans have enrolled in new health insurance options since the launch of the ACA in 2014, including more than 56,000 in Medi-Cal and over 41,000 in Covered California. Paralleling the increased insurance enrollment is a continued reduction in enrollment in Healthy San Francisco, the City's health access program for the uninsured, which declined from nearly 58,000 participants prior to ACA implementation to 15,000 as of June 2015. However, Healthy San Francisco does not account for all uninsured San Franciscans, and the City estimates that 35,000 to 40,000 residents continue to remain without insurance. The residually uninsured include those ineligible for the insurance expansions offered under the ACA and those who are eligible but who, for a variety of reasons, do not enroll. The City will continue to be a key provider of safety net services for these individuals.

Amidst these changes, the City is on schedule to replace and modernize the City's two public hospitals. The voters approved a general obligation bond measure to fund the replacement of San Francisco General Hospital in November 2008. This \$687 million project is required given changes to state law governing seismic requirements for hospitals. It will replace the current facility with a new nine-story building on the existing hospital campus. The hospital is the only trauma center in San Francisco, and also acts as the safety net hospital for our residents. Construction of the project is underway, with completion expected in fiscal year 2015-16. This project follows substantial completion of the reconstruction of the City's skilled nursing facility, Laguna Honda Hospital, in fiscal year 2011-12.

Modernizing the City's Parks and Libraries

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

The City substantially completed a comprehensive branch library improvement program in fiscal year 2013-14 that renovated 16 branch libraries, replaced seven branches with new buildings, and constructed a new branch library in Mission Bay. The \$196 million program, funded with a mix of general obligation and lease-revenue bonds, state funds, and other local sources, focused on seismic safety, accessibility, and modernization for current uses.

Delivering Public and Private Waterfront Improvements

The Port of San Francisco, a department of the City, is custodian to seven and one-half miles of maritime industrial and urban waterfront property. The City utilizes public-private partnerships to marshal private sector creativity and financial resources to rehabilitate historic Port assets or develop new facilities for maximum public benefit. Current public-private partnership projects include the rehabilitation of the Pier 70 area which contemplates continued ship repair, historic preservation, new waterfront parks, housing, and up to two million square feet of new commercial and office space; a state of the art multi-purpose venue for the Golden State Warriors basketball organization in the Mission Bay redevelopment area; and a new mixed-use neighborhood with waterfront parks and a rehabilitated Pier 48 adjacent to the Giants baseball stadium. Public-private partnerships complement the City's public works project-delivery mechanism, which were recently used to deliver parks and open space projects along the waterfront and the new James R. Herman Cruise Terminal at Pier 27, which opened in September 2014.

Improving Public Safety and Earthquake Preparedness

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

Other Long-Term Challenges Remain

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

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

The City has taken significant steps to address long-term unfunded liabilities for employee pension and other post-employment benefits, including retiree health obligations, yet significant liabilities remain. The most recent actuarial analyses estimate unfunded actuarial accrued liabilities of over \$7 billion for these benefits, comprised of \$4.0 billion for retiree health obligations and \$3.1 billion for employee pension benefits. In recent years, the City and voters have adopted significant changes that should mitigate these unfunded liabilities over time, including adoption of lower-cost benefit tiers, increases to employee and employer contribution requirements, and establishment of a trust fund to set-aside funding for future retiree

health costs. The financial benefit from these changes will phase in over time, however, leaving ongoing financial challenges for the City in the shorter term.

Lastly, while the City has adopted a number of measures to better position the City's operating budget for future economic downturns, further progress is still needed. Economic stabilization reserves have grown significantly during the last four fiscal years, exceeding pre-recession peaks in the prior year. By the end of the fiscal year, these reserves were funded up to 6.0% of discretionary General Fund revenues, below the adopted target of 10%. Further progress towards the targeted level in future fiscal years will allow the City to better weather inevitable negative variances that will be driven by future economic volatility.

OTHER INFORMATION:

Independent Audit

The City's Charter requires an annual audit of the Controller's records. These records, represented in the basic financial statements included in the CAFR have been audited by the nationally recognized certified public accounting firm, Macias Gini & O'Connell LLP. The various enterprise funds, the Health Service System, the Employees' Retirement System, the San Francisco County Transportation Authority, the San Francisco Finance Corporation, and the Successor Agency to the San Francisco Redevelopment Agency have been separately audited. The Independent Auditor's Report on our current year's financial statements is presented in the Financial Section.

Award for Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the 33rd consecutive year, beginning with the fiscal year ended June 30, 1982, that the City has achieved this prestigious award. A Certificate of Achievement is valid for a period of one year only. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

Acknowledgements

I would like to express my appreciation to the entire staff of the Controller's Office whose professionalism, dedication, and efficiency are responsible for the preparation of this report. I would also like to thank Macias Gini & O'Connell LLP for their invaluable professional support in the preparation of the CAFR. Finally, I want to thank the Mayor and the Board of Supervisors for their interest and support in planning and conducting the City's financial operations.

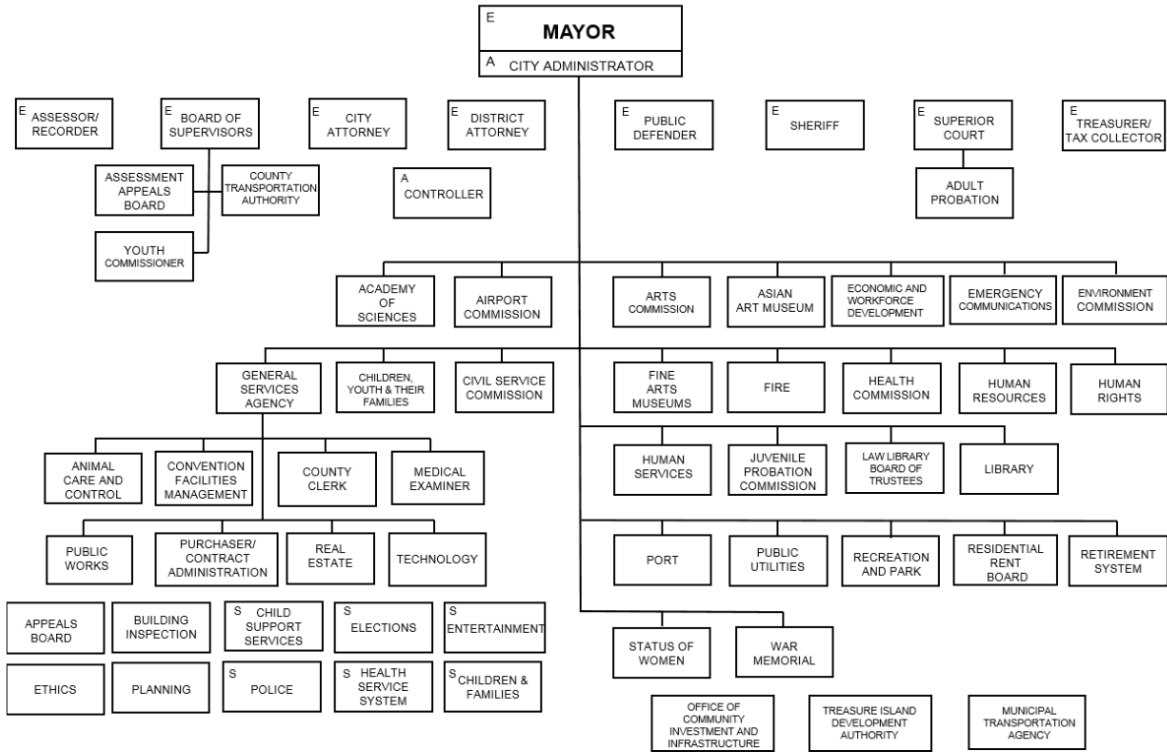
Respectfully submitted,


Ben Rosenfield
Controller



City and County of San Francisco Organization Chart

(As of June 30, 2015)



A = Appointed by Mayor and confirmed by Board of Supervisors / E = Elected / S = Shared - appointed by various elected officials.



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CITY AND COUNTY OF SAN FRANCISCO
List of Principal Officials
 As of June 30, 2015

ELECTED OFFICIALS

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

APPOINTED OFFICIALS

City Administrator Naomi Kelly
 Controller Benjamin Rosenfield

DEPARTMENT DIRECTORS/ADMINISTRATORS

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

CITY AND COUNTY OF SAN FRANCISCO
List of Principal Officials
 As of June 30, 2015

DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

General Services Agency Virginia Donohue
 Animal Care and Control John Noguchi
 Convention Facilities Management Karen Hong Yee
 County Clerk Michael Hunter
 Medical Examiner Mohammed Nuru
 Public Works Jaci Fong
 Purchaser/Contract Administration John Updike
 Real Estate Miquel A. Gamino, Jr.
 Department of Technology Catherine Dodd
 Health Service System Mick Callahan
 Human Resources Theresa Sparks
 Human Rights Trent Rhorer
 Human Services Anne Hinton
 Aging and Adult Services Allen A. Nance
 Juvenile Probation Marcia Bell
 Law Library Board of Trustees Luis Herrera
 Library Ed Reiskin
 Municipal Transportation Agency John Rahaim
 Planning Greg Suhr
 Police Joyce M. Hicks
 Office of Citizen Complaints Monique Moyer
 Port Barbara A. Garcia
 Public Health Harlan Kelly
 Recreation and Park Phil Ginsburg
 Residential Rent Board Delene Wolf
 Retirement System Jay Huish
 Small Business Regina Dick-Endrizzi
 Status of Women Emily M. Murase
 Successor Agency to the Redevelopment Agency Tiffany Bohee
 Superior Court T. Michael Yuen
 Adult Probation Karen L. Fletcher
 War Memorial Elizabeth Murray

DISCRETELY PRESENTED COMPONENT UNIT

Treasure Island Development Authority Robert P. Beck



A new breed of professional services firm

Sacramento
Walnut Creek

Independent Auditor's Report

Oakland

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

Los Angeles

Century City

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City and County of San Francisco (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Newport Beach

San Diego

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Francisco County Transportation Authority, San Francisco International Airport (major fund), San Francisco Water Enterprise (major fund), Hetch Hetchy Water and Power (major fund), San Francisco Municipal Transportation Agency (major fund), San Francisco Wastewater Enterprise (major fund), and the Health Service System, which collectively represent the following percentages of the assets, net position/fund balances, and revenues/additions of the following opinion units.

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/ Additions
Governmental activities	1.6%	1.6%	2.8%
Business-type activities	90.5%	92.7%	71.7%
Aggregate remaining fund information	1.0%	0.9%	13.9%

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2013-14 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2014-15 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 \$6.57 billion (net position). Of this balance, \$7.52 billion represents the City's net investment in capital assets, \$1.40 billion represents restricted net position, and unrestricted net position has a deficit of \$2.36 billion. The City's total net position decreased by \$1.79 billion, or 21.5 percent, from the previous fiscal year. Of this amount, total net investment in capital assets and restricted net position increased by \$488.0 million or 6.9 percent and \$141.2 million or 11.2 percent, respectively. Unrestricted net position declined from \$67.8 million to a deficit of \$2.36 billion, a total reduction of \$2.42 billion.

The City's governmental funds reported total revenues of \$5.35 billion, which is a \$439.5 million or 9.0 percent increase over the prior year. Within this, revenues from property taxes, hotel room tax, real property transfer tax, intergovernmental grants and business taxes grew by approximately \$124.9 million, \$4.2 million, \$52.7 million, \$75.1 million, and \$48.5 million, respectively. At the same time, there was a decline in revenues from interest of \$1.1 million and other revenues of \$11.3 million. Governmental funds expenditures totaled \$4.79 billion for this period, a \$218.3 million or 4.8 percent increase, reflecting increases in demand for governmental services of \$242.3 million, an increase in debt service of \$13.0 million and a decrease in capital outlay of \$37.0 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to \$2.29 billion, an increase of \$352.0 million or 18.2 percent from prior year, primarily due to a strong growth in most revenues over a moderate increase of expenditure and other financing uses this year over last year.

The City's total long-term debt, including all bonds, loans, commercial paper and capital leases increased by \$297.1 million during this fiscal year. The City issued a total of \$1.60 billion in bonds and loans this year. Of this amount, \$155.6 million in general obligation bonds were issued to fund the earthquake safety and response projects and \$293.9 million in general obligation refunding bonds for debt service savings. The City also borrowed \$2.1 million for the renovation of the City's west harbor marina and \$134.7 million in a revolving loan to refinance the San Francisco County Transportation Authority's short-term commercial paper notes. The San Francisco International Airport issued \$473.6 million in revenue bonds to refinance and finance the completion of ongoing projects such as the air traffic control tower and baggage handling system modernization, runway safety area improvement, Terminal 1 and 3 redevelopment and other projects in the Airport's five-year Capital Plan. The San Francisco Municipal Transportation Agency issued a total of \$70.6 million of revenue bonds to provide new money for various transit and capital projects and Hetch Hetchy Power Enterprise issued \$39.5 million revenue bonds to finance the improvement projects on the Hetch Hetchy facilities. The San Francisco Water Enterprise issued \$429.6 million water revenue refunding bonds for an economic gain. The balance of commercial paper issued to finance and refinance capital projects decreased by \$123.2 million in this fiscal year. Of this decrease, \$18.0 million represented governmental activities while \$105.2 million represented business-type activities.

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of July 1, 2014. The City restated the July 1, 2014 net position to include the net pension liability as well as deferred outflows of resources related to pensions. The total impact of this change was a \$3.25 billion reduction in the City's beginning net position.

Emphasis of Matters

As discussed in Note 2(s) to the basic financial statements, effective July 1, 2014, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Prior-Year Comparative Information

The financial statements include partial and summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2014, from which such partial and summarized information was derived.

We have previously audited the City's 2014 financial statements, and we expressed, based on our audit and the reports of other auditors, unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information in our report dated November 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the City's proportionate share of the net pension liability, the schedule of changes in the net pension liability and related ratios, the schedule of employer contributions – pension plans, and the schedules of funding progress and employer contributions – other postemployment healthcare benefits, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Walnut Creek, California
November 23, 2015

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
 Year Ended June 30, 2015

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

Introductory Section	INTRODUCTORY SECTION				
	+				
Financial Section	Management's Discussion and Analysis (MD&A)				
	Government - wide Financial Statements	Fund Financial Statements			Fiduciary Funds
		Governmental Funds	Proprietary Funds	Fiduciary Funds	
	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position	
Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net position	Statement of changes in fiduciary net position		
	Budgetary comparison statement				
	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				
	+				

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.

	Fund Financial Statements			Fiduciary
	Government - wide Statements	Governmental	Proprietary	
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 long-term	All resources held in a trustee or agency capacity for others
Type of inflow and outflow information	All inflows and outflows during year, regardless of when cash is received or paid	Near-term inflows and outflows of spendable resources	All inflows and outflows during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2015

reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, public works, transportation and commerce, human welfare and neighborhood development, community health, culture and recreation, general administration and finance, and general City responsibilities. The business-type activities of the City include an airport, port, transportation system (including parking), water and power operations, an acute care hospital, a long-term care hospital, and sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate development authority, the Treasure Island Development Authority (TIDA), for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government. Included within the governmental activities of the government-wide financial statements are the San Francisco County Transportation Authority (Transportation Authority) and San Francisco Finance Corporation. Included within the business-type activities of the government-wide financial statements is the operation of the San Francisco Parking Authority. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City. The City also considers the Successor Agency to the Redevelopment Agency (Successor Agency) as a fiduciary component unit of the City.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: **governmental funds**, **proprietary funds**, and **fiduciary funds**.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements – i.e., most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available and the constraints for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2015

The City adopts a rolling two-year budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), San Francisco Water Enterprise (Water), Heich Helchy Water and Power (Heich Helchy), San Francisco Municipal Transportation Agency (SFMTA), San Francisco General Hospital Medical Center (SFGH), San Francisco Wastewater Enterprise (Wastewater), Port of San Francisco (Port), and the Laguna Honda Hospital (LHH), all of which are considered to be major funds of the City.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, management information and telecommunication services, printing and mail services, and for lease-purchases of equipment by the San Francisco Finance Corporation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City employees' pension and health plans, retirees' health care, the Successor Agency, the external portion of the Treasurer's Office investment pool, and the agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's net pension liability, pension contributions and progress in funding its obligation to provide other postemployment benefits to its employees and the City's schedule of contributions for its employees' other postemployment benefits.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
 Year Ended June 30, 2015

Combining Statements and Schedules

The combining statements and schedules referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and other postemployment benefits.

	Net Position (in thousands)				
	Governmental activities		Business-type activities		Total
	2015	2014	2015	2014	
Assets:					
Current and other assets.....	\$ 3,635,676	\$ 3,327,511	\$ 4,680,939	\$ 8,410,092	\$ 8,008,450
Capital assets.....	4,674,710	4,462,714	14,750,206	19,624,916	16,460,203
Total assets.....	8,510,386	7,790,225	19,524,622	28,035,008	25,468,653
Deferred outflows of resources	346,493	11,701	445,609	792,102	188,015
Liabilities:					
Current liabilities.....	1,345,352	1,391,609	1,892,224	1,884,942	3,276,551
Noncurrent liabilities.....	5,340,775	4,068,411	10,934,203	17,452,081	15,002,614
Total liabilities.....	6,686,127	5,460,020	14,003,530	20,889,657	18,279,165
Deferred inflows of resources	883,538	275	688,451	17,737	18,012
Net position:					
Net investment in capital assets*	2,684,808	2,483,086	5,117,679	4,832,659	7,520,698
Restricted *	961,387	862,706	495,654	452,465	1,400,246
Unrestricted (deficit) *	(2,358,981)	(1,004,161)	(335,083)	732,736	(2,355,480)
Total net position.....	\$ 1,287,214	\$ 2,341,631	\$ 5,278,250	\$ 6,017,860	\$ 6,565,464

* See note 2(k) 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 \$6.57 billion at the end of fiscal year 2014-15, a 21.5 percent decrease over the prior year. The City's governmental activities account for \$1.29 billion of this total and \$5.28 billion stem from its business-type activities.

The largest portion of the City's net position is the \$7.52 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a \$488.0 million or 6.9 percent increase over the prior year, and is due to the growth seen in the governmental activities and increases in all business-type activities, except LHH. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position is the \$1.40 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 \$2.36 billion, which consists of a \$2.36 billion deficit in governmental activities and \$335.1 million deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to the required adjustments to record the net pension liability and related items pursuant to new accounting pension standards (See note 2(s)). The governmental activities deficit also included \$338.6 million in long-term bonds liabilities that fund the LHH rebuild project, certain park facilities projects at the Port, improvement projects for reliable emergency water supply for the Water Enterprise, and road paving and street safety in SFMTA (see Note 2(k)).

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
 Year Ended June 30, 2015

**Changes in Net Position
(in thousands)**

	Governmental activities		Business-type activities		Total
	2015	2014	2015	2014	
Revenues					
Program revenues:					
Charges for services.....	\$ 612,983	\$ 566,528	\$ 3,134,814	\$ 3,102,934	\$ 3,747,797
Operating grants and contributions.....	1,165,340	1,142,094	191,351	190,351	1,332,445
Capital grants and contributions.....	48,233	39,379	357,819	515,445	406,052
General revenues:					
Property taxes.....	1,640,383	1,521,471	-	-	1,640,383
Business taxes.....	611,932	583,406	-	-	611,932
Sales and use tax.....	240,424	227,636	-	-	240,424
Hotel room tax.....	394,262	310,952	-	-	394,262
Utility users tax.....	85,000	85,000	-	-	85,000
Local sales tax.....	451,934	393,633	-	-	451,934
Interest and investment income.....	20,737	21,987	25,990	29,843	46,736
Other.....	46,908	70,924	200,148	82,737	247,054
Total revenues.....	5,332,173	4,942,925	3,969,861	3,921,310	9,242,054
Expenses					
Public protection.....	1,108,200	1,229,591	-	-	1,108,200
Public works, transportation and commerce.....	270,454	200,712	-	-	270,454
Human welfare and neighborhood development.....	1,073,652	1,009,190	-	-	1,073,652
Community health.....	735,040	786,761	-	-	735,040
Culture and recreation.....	355,676	357,620	-	-	355,676
General administration and finance.....	249,823	296,653	-	-	249,823
General City responsibilities.....	94,577	85,239	-	-	94,577
Unallocated interest on long-term debt.....	115,030	115,880	853,338	827,658	1,150,300
Airport.....	-	-	1,018,251	1,037,368	853,338
Transportation.....	-	-	1,018,251	1,037,368	1,018,251
Port.....	-	-	88,551	88,551	88,551
Water.....	-	-	438,685	470,200	438,685
Power.....	-	-	419,436	470,200	419,436
Residuals.....	-	-	98,658	37,659	98,658
Services.....	-	-	10,445	10,445	10,445
Streetlights.....	-	-	239,556	243,486	239,556
Mixed.....	-	-	-	120	120
Total expenses.....	4,002,452	4,083,556	3,784,239	3,816,454	7,786,751
Increase(decrease) in net position before transfers and extraordinary items.....	1,329,721	859,369	125,622	104,856	1,465,303
Transfers.....	(504,791)	(311,627)	504,791	311,627	-
Extraordinary gain(loss).....	-	-	-	(6,843)	(6,843)
Change in net position.....	824,930	547,742	630,373	409,640	1,465,303
Net position at beginning of year, as restated.....	462,284	1,793,889	4,647,877	5,608,220	5,110,161
Net position at end of year.....	\$ 1,287,214	\$ 2,341,631	\$ 5,278,250	\$ 6,017,860	\$ 6,565,464

Analysis of Changes in Net Position

The City's total change in net position increased by \$497.9 million in fiscal year 2014-15, a 52.0 percent increase over the prior fiscal year, as noted above. This was the fifth consecutive year of increase. The increase in the change in net position included \$277.2 million from governmental activities and \$220.7 million from business-type activities.

The City's governmental activities experienced a \$389.2 million or 7.9 percent growth in total revenues. This included increases in nearly all of the general city revenues: \$44.5 million in charges for services, \$23.2 million in operating grants and contributions, \$118.9 million in property taxes, \$84.2 million in hotel room tax, \$48.5 million in business taxes and \$12.2 million in utility users tax. Sales and use tax and other local taxes also had a combined growth of \$73.1 million. These improvements were partly offset by a decline in other revenue sources, including a \$1.2 million decrease in interest and investment income and a \$23.1 million drop in other general revenues. The City's governmental activities expenses reported a

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 Year Ended June 30, 2015

Governmental activities. Governmental activities increased the City's total net position by approximately \$824.9 million. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were \$5,333 billion, a \$389.2 million or 7.9 percent increase over the prior year. For the same period, expenses totaled \$4,000 billion before transfers of \$504.8 million, resulting in a total net position increase of \$824.9 million by June 30, 2015.

Property tax revenues increased by \$118.9 million or 7.8 percent. This growth was due in large part to higher assessed values of secured real property in San Francisco, and also due to a lower than expected deposit for the Assessment Appeals Board reserve fund. An increase in real property transfer tax by \$52.7 million made up the majority of the growth in other local taxes of \$60.4 million.

Revenues from business and sales and use taxes totaled approximately \$852.4 million, a growth of \$61.3 million over the prior year. Business taxes grew by \$48.5 million due to an increase in payroll tax revenue resulting from a 5.2 percent increase in employment and a 7.9 percent increase in average weekly wages in San Francisco. Increased business registration fee levels and gross receipts tax collection, due to Proposition F passed in November 2012, also significantly contributed to the growth in business taxes. Sales and use tax increased by \$12.8 million, reflecting strong sales growth across virtually every economic segment, with particularly strong performance in retail and food establishments such as restaurants, apparel stores, department stores, and food markets.

Hotel room tax revenues grew by \$84.2 million, or 27.2 percent, due to strong demand from all segments of the market (tourist, convention, and business) while no additions to inventory led to increased occupancy and the average daily room rate. In addition, the City passed legislation to create oversight on short-term rentals. The City began collecting hotel tax for short-term rentals in November 2014, which increases the hotel tax base.

Operating grants and contributions increased \$23.2 million. This was largely due to the increases from state sources, including \$9.9 million for human welfare programs, \$17.9 million for community health program grants, and \$26.9 million for public works programs. These were offset primarily by combined decreases of \$31.5 million in other governmental activities.

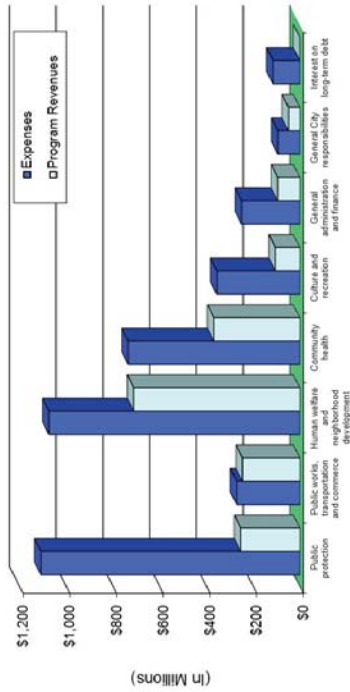
Total charges for services increased \$44.5 million, or 7.8 percent, while other revenues decreased \$23.1 million. The increase in total charges for services is driven by increased fee revenues across various departments, partially due to improved economic conditions. The more significant increases are discussed below. The Department of Public Health's patient charges increased by \$23.2 million due to the expansion of Medi-Cal eligibility under the Affordable Care Act and other State and Federal legislation expanding coverage. Fire Department charges for services increased by \$1.7 million due to services provided to the Presidio under a Cooperative Agreement. The Sheriff's Department's services revenues increased by \$1.1 million due to the increased fees in a U.S. Marshal contract for Federal Prison Boarding. The Planning Department's revenues grew by more than \$6.6 million from large project fee application, which are assessed larger intake fees due to the additional reviews and approvals required. The Recreation and Park Department's revenues increased by \$3.6 million due to revenues from the Candlestick Park lease amendment and strong admissions revenues from facilities at Golden Gate Park and elsewhere in the City. In addition, the Treasurer Department's revenues increased by \$1.8 million due to a new charge to San Francisco Unified School District and City College for collection of special assessments, a consolidation of licensing increased collections and Property Tax auction of 30,000 units processed. The decrease in other revenues is related to decrease in housing inclusion fees and loan principal repayment received from the affordable housing project.

Interest and investment income revenue decreased by \$1.2 million, or 5.3 percent, due to decreased cash balances in the pool due to planned prepayment of employer contributions to the Retirement System.

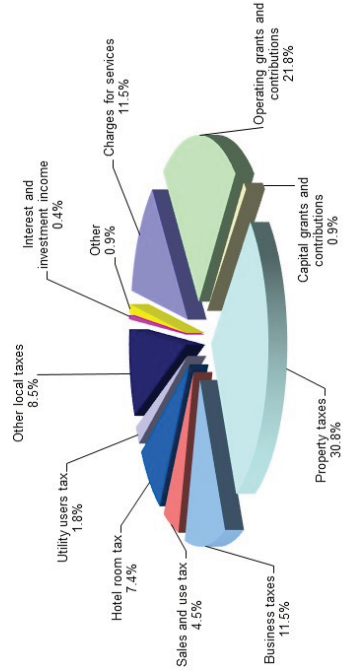
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decrease of \$81.1 million or 2.0 percent this fiscal year. The net transfer to business-type activities increased by \$193.2 million. A discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.

Expenses and Program Revenues - Governmental Activities



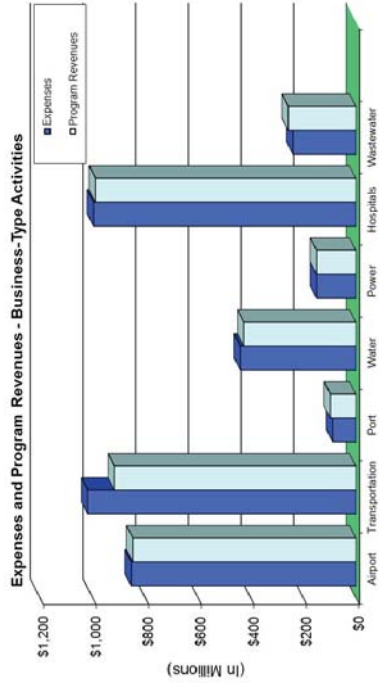
Revenues By Source - Governmental Activities



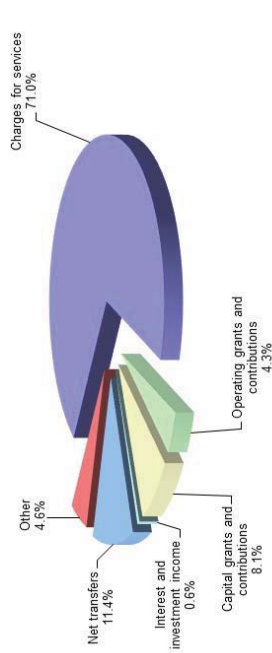
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Net transfers from the governmental activities to business-type activities were \$504.8 million, a 62.0 percent or \$193.2 million increase from the prior year. This was mainly due to increased operating subsidies of \$33.9 million from the General Fund to SFMTA, \$33.6 million to SFGH and \$33.7 million to LHH. In addition, Water received \$51.1 million in general obligation bond proceeds for the improvement of the Auxiliary Water Supply System.

The decrease of total governmental expenses of \$81.1 million, or 2.0 percent, was primarily due to a decrease in pension expense for reporting purposes related to implementation of GASB Statement Nos. 68 and 71. (See also Note 9 to the Basic Financial Statements for additional pension related information).



Revenues By Source - Business-type Activities



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Business-type activities increased the City's net position by \$630.4 million and key factors contributing to this increase are described below. One key factor affecting all business-type activities was the City's adoption of GASB Statement Nos. 68 and 71 as of July 1, 2014. As permitted by the transition provisions of these statements when a restatement of all prior periods is not practical, the cumulative effect of applying this accounting change is reported as a restatement of beginning position as of July 1, 2014. As a result, for all business-type activities the restatement (reduction) of beginning net position was \$1.37 billion to record the net pension liability offset by the deferred outflows of resources related to contributions made subsequent to the measurement date (see Note 2(s)). In addition, prior to GASB Statement Nos. 68 and 71, pension cost was recorded based on payments made at actuarially determined funding contribution levels. Commencing fiscal year 2014-15, pension expense reflects the change in net pension liability and the amortization of pension related deferred outflows and inflows of resources determined in accordance with the new standards. This change in measurement of pension cost resulted in an overall decrease in business-type activities expenses in fiscal year 2014-15. More detailed information concerning net pension liability, pension contributions and pension expense is in Note 9 to the Basic Financial Statements.

- The San Francisco International Airport had an increase in net position at fiscal year-end of \$56.1 million, compared to a \$5.5 million decrease in the prior year, a \$61.6 million difference. Operating revenues totaled \$815.4 million for fiscal year 2014-15, an increase of \$44.7 million or 5.8 percent over the prior year and included increases of \$23.4 million, \$8.2 million, \$8.4 million, and \$4.7 million in aviation, concession, parking and transportation, and net sales and services revenues, respectively. For the same period, the Airport's operating expenses decreased by \$16.7 million, or 2.7 percent, for a net operating income of \$206.3 million for the period. Net non-operating activities saw a deficit of \$141.8 million versus \$203.6 million deficit in the prior year, a \$61.8 million decrease. The decrease in both operating and non-operating expenses is due to decreases in personnel, write-offs and loss on disposal, and a decrease in capital improvement project costs that did not meet capitalization requirements. Excluding the effect of the changes in pension accounting, personnel costs increased \$6.9 million due to cost of living adjustments and additional positions. Also, capital contributions decreased by \$58.9 million due to a reduction in federal grants received.

- The City's Water Enterprise, the third largest such entity in California, reported an increase in net position of \$97.4 million at the end of fiscal year 2014-15, compared to a decrease of \$45.4 million at the end of the previous year, a \$142.8 million difference. Revenues totaled \$485.3 million, expenses totaled \$438.9 million, and the net increase from capital contributions and transfers was \$50.3 million. Compared to the prior year, total revenues increased \$61.2 million, which included \$45.2 million more in water service revenues and \$15.0 million more in non-operating revenues. These increases were offset by decreases of \$5.1 million from interest and investment income. The primary reason for the increase in water service revenues was an adopted rate increase of 19.6 percent for wholesale customers and 12.0 percent for retail customers. Within expenses, the enterprise reported a total decrease of \$31.3 million in fiscal year 2014-15. This included a \$30.1 million decrease in general and administrative and other expenses, and a \$20.7 million decrease in personnel services due to a reduction in pension costs from the change in accounting as discussed above. These decreases were offset by increases of \$6.4 million in depreciation expense from increased capitalized assets, \$5.5 million in legal services provided by the City Attorney and an increase in water assessment fees paid to Hetch Hetchy Water, \$1.8 million in contractual services due to higher construction and engineering services, and \$0.5 million in materials and supplies, mainly for fuel.

- Hetch Hetchy Water and Power ended fiscal year 2014-15 with a net position increase of \$11.1 million, compared to a \$4.6 million decrease the prior year, a difference of \$15.7 million. This change consisted of increases in operating income of \$5.5 million, non-operating income of \$1.7 million, and transfers from (to) the City of \$1.7 million. This enterprise consists of two segments: Hetchy Water upcountry operations and water system, which reported a \$0.003 million decrease in net position, and Hetchy Power (also known as the Power Enterprise), which reported a \$11.1 million increase in net position. Hetchy Water total revenues increased by \$2.8 million due to a \$3.5 million increase in water assessment fee revenue from the Water Enterprise, although interest and investment income decreased by \$0.6 million. Total expenses rose by \$3.9 million. Hetchy Power's total revenues

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

increased by \$13.6 million mostly due to the adopted power rate increase which resulted in a \$10.1 million increase in charges for services. On the operating expenses side, Hetchy Power reported an increase of \$4.2 million due to increases of \$3.2 million in capital project spending, \$3.8 million increase in contractual services, \$2.7 million increase in depreciation expense, and \$1.6 million increase in claim settlement. These increases were offset by decreases of \$4.2 million in power distribution costs, \$1.8 million decrease in purchased electricity, \$1.0 million decrease in materials and supplies, and \$0.5 million decrease in pension costs from the change in accounting as previously discussed.

- The City's Wastewater Enterprise's net position increased by \$29.3 million, compared to a \$33.1 million increase the prior year, a \$3.8 million positive change. Operating revenues decreased by \$4.1 million due to decreased capacity fees resulting from a rate structure change starting in July 2014. Interest and investment income declined by \$1.2 million due to lower cash balances from higher spending on SSSIP projects and an unrealized loss from declines in fair values of investments. Other decreases included \$0.1 million less sewer service revenues due to reduction of sanitary flow. Total expenses were \$239.6 million, which reflected a decrease of \$3.9 million due mostly to a decrease of \$4.3 in interest expense. Operating expenses increased by \$0.1 million due to increases of \$7.6 million in general and administration costs, \$1.9 million in depreciation and \$0.9 million in services provided by other departments, which were offset by decreases of \$8.7 million in personnel and fringe benefits due to reduced pension costs from the change in accounting as previously discussed, and a \$1.0 million decrease in materials and supplies.

- The Port ended fiscal year 2014-15 with a net position increase of \$11.8 million, compared to an \$8.7 million increase in the previous year, a \$3.1 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 2014-15, operating revenues increased \$10.3 million and included an increase in property rentals of \$7.1 million and an increase in parking revenues of \$2.6 million. Operating expenses increased \$0.03 million over the prior year. This was due in part to a \$2.4 million increase in depreciation and amortization, a \$1.5 million increase in the cost of services from other departments, and a net decrease of \$4.8 million in personnel and other expenses. The above changes were offset by a decrease of \$8.2 million in capital contributions in the form of federal, state, and local grants.

- The SFMTA had an increase in net position of \$294.7 million at the end of fiscal year 2014-15, compared to an increase of \$421.6 million in the prior year, a \$126.9 million change. SFMTA's total revenues and general fund subsidies were \$1.33 billion while total expenses reached \$1.02 billion, a decrease of \$136.6 million and \$19.1 million, respectively. This is due to decreases in operating revenue and capital contributions offset by a slight increase in non-operating revenue and net transfers. Operating revenue decreased by \$22.0 million compared to prior year and is mainly due to lower taxi medallion revenue by \$25.8 million, parking fees by \$3.0 million, and parking fines and penalties by \$2.1 million; offset by total increase of \$1.6 million in passenger fares, advertising revenue by \$0.9 million, charges for services by \$4.2 million; rental income by \$1.0 million, and permits revenue by \$0.5 million. The taxi medallion revenue decrease is due to fewer sales of taxi medallions and waiver of certain taxi fees in fiscal year 2014-15. The decrease of capital contributions of \$147.9 million is due to federal grants received in the prior year mostly related to Central Subway and other large projects which were completed in the prior year. This was offset by an increase in net transfers of \$19.2 million mostly due to the increase in the City's General Fund baseline allocation of \$33.6 million offset by more funding transfers mostly to the City's Street Improvement fund by \$9.1 million compared to the prior year. On the expenses side, the decrease of \$12.8 million for personnel is attributable to a reduction in pension costs from the change in accounting previously discussed. The decrease of \$14.6 million for general and administrative costs is mainly due to lower judgments and claims compared to prior year; the decreases were offset by increases in contractual services of \$8.6 million and \$5.8 million in depreciation expenses.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

- LHH, the City's skilled nursing care hospital, had an increase in net position of \$6.6 million at the end of fiscal year 2014-15, compared to a decrease of \$11.8 million at the end of the previous year, an \$18.4 million difference. The LHH's loss before capital contributions and transfers for the year was \$61.5 million versus a loss of \$50.9 million for the prior year. This change of \$10.6 million was due to a \$3.2 million decrease in operating revenues, a \$6.6 million decrease in operating expenses, and a \$14.0 million decrease in other non-operating revenue. This was offset by a \$28.9 million increase in net transfers from the City this fiscal year.

- SFGH, the City's acute care hospital, ended fiscal year 2014-15 with a net position increase of \$123.4 million, compared to a \$25.3 million increase the prior year, a \$98.1 million positive change. This increase was due to capital contributions of \$57.4 million, in addition to net transfers in of \$51.4 million compared to prior year's net transfers out of \$44.8 million and no capital contributions. The increase in capital contributions was due to a donation in the amount of \$57.4 million from a philanthropist restricted for the acquisition of furniture, fixtures and equipment for the new hospital. However, SFGH incurred an operating loss of \$23.6 million, which was a \$44.9 million decrease from the prior year. This was due to a \$53.1 million decrease in operating revenues, largely related to net patient services revenues. This was offset in part by a reduction in operating expenses of \$8.3 million, comprised of a decrease of \$20.2 million in personal services, a \$4.4 million increase in services of other departments, and a \$3.9 million rise in contractual services.

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 2014-15, the City governmental funds reported combined fund balances of \$2.29 billion, an increase of \$352.0 million or 18.2 percent over the prior year. Of the total fund balances, \$771.8 million is assigned and \$123.4 million is unassigned. The total of \$895.2 million or 39.1 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 \$705.1 million. The remainder of the governmental funds fund balances includes \$25.1 million nonspendable for items that are not expected to be converted to cash such as inventories and long-term loans, \$1.23 billion restricted for programs at various levels and \$142.8 million committed for other reserves.

The General Fund is the chief operating fund of the City. As a measure of liquidity, both the sum of assigned and unassigned fund balances and total fund balance can be compared to total fund expenditures. As of the end of the fiscal year, assigned and unassigned fund balances totaled \$862.6 million while total fund balance reached \$1.15 billion. Combined assigned and unassigned fund balances represent 27.8 percent of total expenditures, while total fund balance represents 36.9 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by \$1.01 billion, before transfers and other items of \$703.5 million, resulting in total fund balance increasing by \$309.6 million. Overall, the significant growth in revenues, particularly in real estate property taxes, business taxes, hotel room taxes, and charges for services were offset by an increased rate of expenditure growth due to growing demand for services and personnel costs across City functions and resulted in an increased fund balance this fiscal year.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
 Year Ended June 30, 2015

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 \$196.4 million higher than the final budget. The City realized \$79.6 million, \$75.9 million, \$39.7 million, \$37.2 million, and \$24.4 million more revenue than budgeted in real property transfer tax, hotel tax, property taxes, business taxes, and other grants and subventions, respectively. These increases were partly offset by reductions of \$37.1 million, \$16.0 million, \$15.8 million, and \$13.2 million, in transfers from other funds, health and mental health subventions, health and welfare realignment, and other resources, respectively.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in \$177.3 million in expenditure savings. Major factors include:

- \$53.0 million in savings from the Department of Public Health due to savings from reduced county participation in intergovernmental transfer programs, and patient census and delays in hiring for vacant positions creating additional salary and fringe benefit savings.
- \$41.6 million in savings from the Human Services Agency, due largely to operating savings from changes in state child care rates and allocations, and lower than expected caseload uptake levels.
- \$14.7 million in salary and benefit savings mainly in the Police Department, Adult Probation, Superior Court, and other departments in public protection.
- \$6.3 million in salary and benefit savings mainly in Treasurer/Tax Collector, Elections, Board of Supervisors, Controller, and other departments in general administration and finance.
- The remaining lower than budgeted expenditures are savings from public works, transportation and commerce, culture and recreation, and general city responsibilities.

The net effect of substantial revenue increases, savings in expenditures and reduction in reserve balances was a budgetary fund balance available for subsequent year appropriation of \$390.8 million at the end of fiscal year 2014-15. The City's fiscal year 2015-16 and 2016-17 Adopted Original Budget assumed an available balance of \$374.3 million fully appropriated in fiscal year 2015-16 and fiscal year 2016-17 leaving \$16.5 million available for future appropriations. (See also Note 4 to the Basic Financial Statements for additional budgetary fund balance details).

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2015, increased by \$1.16 billion, 6.3 percent, to \$19.62 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 \$412.0 million or 35.4 percent to this total while \$752.7 million or 64.6 percent was from business-type activities. Details are shown in the table below.

	Governmental Activities			Business-type Activities			Total
	2015	2014	2015	2014	2015	2014	
Land.....	\$ 299,911	\$ 274,163	\$ 217,441	\$ 217,516	\$ 517,352	\$ 491,681	
Construction in progress.....	1,245,064	1,178,392	3,104,166	3,362,438	4,349,230	4,540,830	
Facilities and Improvement.....	2,544,116	2,326,314	9,716,578	8,708,923	12,260,694	11,035,237	
Machinery and equipment.....	76,202	62,392	926,979	696,508	1,003,181	956,900	
Infrastructure.....	659,502	575,746	719,240	739,728	1,378,742	1,315,474	
Intangible assets.....	49,915	45,707	66,802	72,374	115,717	118,081	
Total	\$ 4,874,710	\$ 4,462,714	\$ 14,750,206	\$ 13,997,469	\$ 19,624,916	\$ 18,460,203	

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
 Year Ended June 30, 2015

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 2014-15, the unrestricted net position for the proprietary funds was as follows: Airport: \$17.6 million, Water Enterprise: \$74.6 million, Hetch Hetchy Water and Power: \$136.4 million, Wastewater Enterprise: \$32.8 million, and the Port: \$31.0 million. In addition, SFMTA, SFGH, and LHH had deficits in unrestricted net position of \$29.4 million, \$397.5 million, and \$200.6 million, respectively.

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City's proprietary funds (in thousands). This shows that the total net position for these funds increased by approximately \$630.4 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		Operating	Non-Operating		Capital		Interfund		Change in Net Position
	Revenues	Expenses		Income (Loss)	Revenues (Expenses)	Contributions and Others	Transfers, Net	Net		
Airport.....	\$ 815,364	\$ 600,029	\$ 206,335	\$ (141,826)	\$ 32,119	\$ (40,460)	\$ 56,148			\$ 97,360
Water.....	296,950	296,950	129,097	(82,732)	-	50,995	97,360			11,139
Hetch Hetchy.....	147,803	143,923	3,880	5,216	-	2,043	2,043			294,666
Municipal Transportation Agency.....	499,584	1,011,401	(511,817)	166,761	266,765	372,957	38,274			123,399
General Hospital.....	738,236	761,869	(23,633)	38,274	57,375	51,363	(232)			29,332
Wastewater Enterprise.....	256,002	216,485	39,517	(9,953)	-	(232)	11,775			68,018
Port.....	95,296	83,623	11,673	(1,565)	1,560	107	11,775			6,554
Laguna Honda Hospital.....	156,482	227,215	(70,733)	9,269	-	68,018	6,554			
Total.....	\$ 3,134,814	\$ 3,350,495	\$ (215,681)	\$ (16,556)	\$ 357,819	\$ 504,791	\$ 630,373			

Fiduciary Funds

The City maintains fiduciary funds for the assets of the San Francisco Employees' Retirement System, Health Service System and Retiree Health Care Trust, and manages the investment of monies held in trust to benefit public service employees. At the end of fiscal year 2014-15, the net position of the Retirement System, Health Service System and Retiree Health Care Trust combined totaled \$20.58 billion, representing a \$520.1 million increase over the prior year, and 2.6 percent change. The increase is a result of net investment income of investments offset by benefit payments greater than contributions. The Private-Purpose Trust Fund accounts for the Successor Agency, which had a net deficit of \$425.4 million at year's end. This 7.9 percent, or \$36.6 million, decrease in the net deficit is due to increases in developer payments and redevelopment property tax revenues. The Successor Agency also restated its beginning net position to be \$22.4 million less than previously reported due to the cumulative effect of implementing GASB Statement Nos. 68 and 71. The Investment Trust Fund's net position was \$540.0 million at year's end, and the 12.7 percent decrease represents the excess of distributions over contributions to external participants.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

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

- Under governmental activities, net capital assets increased by \$412.0 million or 9.2 percent. The City issued \$155.6 million in general obligation bonds for the Earthquake Safety and Emergency Response (ESER) Program to fund the repairs and seismic improvements to better prepare San Francisco for a major earthquake or natural disaster. The majority of the increase in net capital assets came from construction and capital improvement activities related to the ESER Program. The Public Safety Building and various neighborhood fire stations was substantially completed and capitalized. Construction in progress has started on the building sites for the Office of the Chief Medical Examiner, Traffic Control and Forensics Services Division and various neighborhood fire stations and police facilities. Other major capital projects under construction in progress include the Veterans Building Seismic Upgrade, the Moscone Center Expansion, and various street and park improvements. Also included in the City's governmental capital assets under construction in progress are the activities related to the rebuild of the San Francisco General Hospital (SFGH) funded by the \$887.4 million General Obligation Bond. Upon completion of the new facility, it will be contributed to the SFGH enterprise fund.
- The Water Enterprise's net capital assets increased by \$325.7 million or 7.5 percent. Close to \$425.1 million, or 15.1 percent, of the change reflects the net increase in construction and capital improvement activities in the enterprise's ten-year capital plan, including the Water System Improvement Program. Major additions to construction work included Bay Division Pipeline Reliability Upgrade, Harry Tracy Water Treatment Plant, Irvington Tunnel Alternatives, Calaveras Dam Replacement, Irvington Tunnel Alternatives and other projects of the Water System Improvement Program (WSIP). As of June 30, 2015, the PUC's Water Enterprise is 89.6% through construction of its multi-billion dollar, multi-year program to upgrade the Hetch Hetchy Regional and Local Water Systems. The program consists of 35 local projects within San Francisco and 48 regional projects spread over seven different counties from the Sierra foothills to San Francisco. As of June 30, 2015, 33 local projects are completed and the target completion date is March, 2016. For regional projects, 32 are completed and the expected completion date is May 2019. The WSIP delivers capital improvements that enhance the Water Enterprise's ability to provide reliable, affordable, high quality drinking water to its customers.
- SFMTA's net capital assets increased by \$205.2 million or 8.1 percent, mainly from construction in progress of \$203.9 million for the Central Subway Project, Central Control System Upgrades and Rail Replacement Project. The remaining of \$1.3 million is from the acquisition for various equipment and non-revenue vehicles. Construction in progress is made up of various transit, pedestrian, and bike projects. The five projects that have the highest balances on June 30, 2015 are the Central Subway, Central Control System Upgrades, Muni Forward, Rail Replacement, and Radio Replacement. The Central Subway Project will link the existing 5.4 mile Phase I T-line, beginning at 4th Street and King Streets, to BART, Muni Metro along Market Street, Union Square, and Chinatown to the north. Construction is over 50 percent complete and the two rail tunnels are bored through from end to end. The final construction contract for all stations, track, and systems was awarded and issued a Notice to Proceed. On October 11, 2012, the Federal Transit Agency (FTA) executed the Full Funding Grant Agreement dedicating a total of \$942.2 million in federal Section 5309 funds through project completion; this was followed by FTA allocations of \$85.0 million to the project for fiscal year 2011-12, \$141.8 million for fiscal year 2012-13 and \$150.0 million for fiscal year 2013-14. The remaining funds will be awarded annually at up to \$150.0 million per year. The California Transportation Commission awarded the full amount of control from the State Transportation Improvement Program (STIP) with an additional \$75.5 million pending in future STIP funding cycles. Caltrans awarded an additional \$309.1 million of Prop. 1B PTMISEA funds for ROW, final design, vehicles and construction.
- Laguna Honda Hospital's net capital assets decreased by \$11.3 million or 2.1 percent due primarily higher depreciation expense and lower new construction in progress related to the completion of the new hospital facility. The new Laguna Honda Hospital provides 780 resident beds in three state-of-the-art buildings on Laguna Honda's 62-acre campus. The new 500,000 square foot facility received silver

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

certification by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program, becoming the first green-certified hospital in California.

- SFGH's net capital assets increased by \$24.0 million or 23.9 percent primarily due to the increases in construction in progress on the capital project to rebuild the hospital. The total amount approved by the voters for the rebuild project is \$887.4 million. As of June 30, 2014, general obligation bonds, in the amount of \$887.4 million have been sold to fund the hospital rebuild. The general obligation bonds are accounted for as a governmental activity and transactions are accounted for in the City's governmental capital projects funds. Upon completion of the new facility, it will be contributed to the SFGH enterprise fund.
- The Wastewater Enterprise increased its net investment in capital assets by \$127.2 million or 7.0 percent, due to the additions of facilities, improvements, machinery and equipment, and construction work in progress. The investment in capital assets includes land, buildings, improvements, wastewater treatment plants, sewer pipes and mains, underground transport and storage boxes pump stations, machinery, and equipment. The \$6.93 billion Sewer System Improvement Program (SSIP) includes three phases over the span of next 20 years: Phase I consists of \$2.71 billion in authorized funds for mission-critical repairs. Phase II consists of \$3.29 billion in critical grey and green infrastructure improvements, and Phase III consists of \$0.93 billion to complete seismic and reliability project upgrades to the system and ensures full implementation of green infrastructure projects. Phase I projects were 5.6 percent completed as of June 2015. Major additions to construction work in progress included various projects for assessment SSIP validator, sewer repair and replacement, and system improvements. Facilities, improvements, machinery, and equipment increase is primarily due to the Spot Sewer Replacement Project.
- Hetch Hetchy's increased its net capital assets by \$10.8 million or 3.0% to \$373.3 million primarily due to additions of facilities, improvements, machinery, and equipment for Kirkwood Powerhouse Governor Control Replacement Units and Holm Transformer Replacement. The Hetchy System Improvement Program is a long-term capital program from 2012 to 2025 and includes projects, varying in scope and complexity, to address necessary work on water transmission, hydroelectric generation and power transmission facilities in Tuolumne, Mariposa, Stanislaus, San Joaquin and Alameda counties, essential to continued delivery of both water and power.
- The Airport's net capital assets increased \$66.7 million or 1.7 percent primarily due to the capitalization of capital improvement project costs. The Airport has five- and ten-year Capital Plans to build new facilities, improve existing facilities, renovate buildings, repair or replace infrastructure, preserve assets, enhance safety and security, develop systems functionality, and perform needed maintenance. Significant projects continuing in fiscal year 2015-16 include the Terminal 3 East and Terminal 3 West Improvement Projects, and the T1 Redevelopment Program, which includes the redevelopment of Boarding Area B, the expansion of the T1 Central Area, and a new baggage handling system. Other notable fiscal year 2015-16 continuing projects include the Southfield Tenant Relocation Project, the Boarding Area A 400 Hertz System and Infrastructure Improvement Project, and the new Industrial Waste Treatment Plant.
- The Port's net capital assets increased by \$4.3 million or 1.0 percent. The most significant capital asset activity in the recent period is the September 2014 opening of the James R. Herman Cruise Terminal at Pier 27. Pier 27 has been developed as the primary cruise terminal to meet modern ship and current operational requirements of the cruise industry. The cruise terminal building is designed to allow for special event and meeting uses when the facility is not occupied for cruise purposes. The current cruise terminal building was completed under Phase 1. Phase 2 will cover additional build-out of the cruise terminal and the Cruise Terminal Plaza (previously designated as the Northeast Wharf Plaza in planning documents), an approximately 2 ¼ acre public open space located along the west end of Pier 27, along the Embarcadero Promenade. The Blue Greenway is a City and Port project to improve and expand the public open space network along the central and southern waterfront, extending from China Basin Channel to the San Francisco southern county line. When fully completed, this network is

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

envisioned to consist of thirteen miles of contiguous pedestrian and bicycling routes with a series of parks and respite areas at which to enjoy and access the Bay.

At the end of the year, the City's business-type activities had approximately \$1.12 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated \$407.2 million, SFMTA had \$465.9 million, Wastewater had \$124.7 million, Airport had \$58.3 million, Hetch Hetchy had \$48.4 million, Port had \$9.8 million, LHH had \$0.4 million and the SFGH had \$3.2 million. In addition, there was approximately \$95.9 million reserved for encumbrances in capital project funds for the general government projects.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

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

Debt Administration

At the end of June 30, 2015, the City had total long-term and commercial paper debt outstanding of \$13.88 billion. Of this amount, \$1.88 billion is general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City and \$12.0 billion is revenue bonds, commercial paper, 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 \$297.1 million or 2.19 percent during the fiscal year.

The net increase in debt obligations in the governmental activities was \$41.9 million primarily due to the \$134.7 million revolving loan by the San Francisco County Transportation Authority to refinance its short-term commercial paper notes. The City took advantage of favorable interest rates to reduce debt payments by issuing \$293.9 million general obligation refunding bonds and issued \$155.6 million in general obligation bonds to fund the repairs and seismic improvements to better prepare San Francisco for a major earthquake or natural disaster. The City also drew an additional loan for \$2.1 million for the renovation of the City's west harbor marina.

The business-type activities net debt increase was \$255.2 million primarily due to issuance of revenue bonds. The Airport issued \$473.6 million in revenue bonds to finance capital projects and retire outstanding balance of commercial paper notes and the SFMTA issued \$70.6 million to finance its various transit and parking projects. The Hetch Hetchy Power Enterprise issued \$39.5 million revenue bonds to finance the improvement of existing facilities of the Hetch Hetchy project. The Water Enterprise issued \$429.6 million revenue refunding bonds for debt service savings.

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 \$182.75 billion in value as of the close of the fiscal year. As of June 30, 2015, the City had \$2.10 billion in authorized outstanding general obligation bonds, which is equal to approximately 1.10 percent of gross (1.15 percent of net) taxable assessed value of property. As of June 30, 2015, there were an additional \$1.29 billion in bonds that were authorized but unissued. If all of these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.77 percent of gross (1.85 percent of net) taxable assessed value of property.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

The City's underlying ratings on general obligation bonds as of June 30, 2015 were:

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

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

The City's enterprise activities carried upgraded underlying debt ratings for the SFMTA of "Aa2" and "AA" from Moody's and Standard & Poor's, respectively. Moody's, Standard & Poor's and Fitch Ratings affirmed their underlying credit ratings of the Airport of "A1", "A+" and "A+" with Stable Rating Outlooks, respectively. The Water Enterprise and Wastewater Enterprise carried underlying ratings of "Aa3" and "AA-" from Moody's and Standard & Poor's, respectively, as of June 30, 2015.

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 2015-16 and 2016-17. 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, Retirement System, Child Support Services, and the Library, which each have a fixed two-year budget.

- The City's average unemployment for fiscal year 2014-15 was 3.9 percent, a decrease of 1.0 percent from the average unemployment rate in fiscal year 2013-14.
- Housing prices, residential and commercial rent, hotel revenues, and retail sales all continued to show strong growth. The average median home price in fiscal year 2014-15 was \$1.0 million up 15.9 percent from the previous fiscal year. Residential and commercial rents also grew by 10.7 percent and 10.4 percent, respectively, from the prior fiscal year.
- The hotel sector saw continued growth in fiscal year 2014-15 over the prior year. Annual average hotel room occupancy grew to 87.3 percent in fiscal year 2014-15 while average daily room rates grew by 9.7 percent over the prior year.
- The City's taxable sales have also continued to grow, with fiscal year 2014-15 sales tax revenue up 5.6 percent over fiscal year 2013-14.

The Mayor and Board of Supervisors approved a final two-year budget for fiscal years 2015-16 and 2016-17 in July 2015, which assumes use of prior year fund balance from General Fund of \$180.2 million and \$194.1 million, respectively.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
 Year Ended June 30, 2015

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

San Francisco Water Enterprise
Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise
 Chief Financial Officer
 525 Golden Gate Avenue
 San Francisco, CA 94102

Municipal Transportation Agency
 SFMTA Finance and Information Technology
 Services
 1 South Van Ness Avenue, 8th Floor
 San Francisco, CA 94103

San Francisco General Hospital Medical Center
 Chief Financial Officer
 1001 Potrero Avenue, Suite 2A7
 San Francisco, CA 94110

Successor Agency to the San Francisco Redevelopment Agency
 Chief Financial Officer
 1 South Van Ness Avenue, 5th Floor
 San Francisco, CA 94103

Health Service System
 Chief Financial Officer
 1145 Market Street, Suite 300
 San Francisco, CA 94103

San Francisco Employees' Retirement System
 Executive Director
 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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Position
 June 30, 2015
 (In Thousands)

	Primary Government		Component Unit Treasure Island Development Authority
	Governmental Activities	Business- Type Activities	
ASSETS			
Current assets:			
Deposits and investments with City Treasury.....	\$ 2,638,467	\$ 2,440,334	\$ 9,825
Deposits and investments outside City Treasury.....	107,539	16,355	123,694
Receivables (net of allowance for uncollectible amounts of \$195,398 for the primary government):			
Property taxes and penalties.....	65,313	-	65,313
Other local taxes.....	278,396	-	278,396
Federal and state grants and subventions.....	197,321	454,889	724
Charges for services.....	89,704	304,584	11
Interest and other.....	32,255	78,565	4,139
Due from component units.....	3,926	213	94,189
Inventories.....	9,674	1,714	11,388
Other assets.....	-	-	-
Restricted assets:			
Deposits and investments with City Treasury.....	-	213,672	-
Deposits and investments outside City Treasury.....	28,242	177,978	-
Grants and other receivables.....	-	30,215	-
Total current assets.....	3,511,084	3,485,436	10,960
Noncurrent assets:			
Loan receivables (net of allowance for uncollectible amounts of \$1,004,667).....	76,700	-	76,700
Advance to component units.....	42,965	3,027	45,992
Other assets.....	262	8,130	8,392
Restricted assets:			
Deposits and investments with City Treasury.....	-	705,802	-
Deposits and investments outside City Treasury.....	4,665	568,543	-
Grants and other receivables.....	-	33,478	-
Capital assets:			
Land and other assets not being depreciated.....	1,553,691	3,333,650	4,887,341
Facilities, infrastructure and equipment, net of depreciation.....	3,321,019	11,416,556	14,737,575
Total capital assets.....	4,874,710	14,750,206	19,624,916
Total noncurrent assets.....	4,998,302	16,059,186	21,058,488
Total assets.....	8,510,386	19,524,622	28,035,008
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding of debt.....	19,539	118,867	138,406
Deferred outflows on derivative instruments.....	-	66,809	66,809
Deferred outflows related to pensions.....	326,954	259,933	586,887
Total deferred outflows of resources.....	\$ 346,493	\$ 445,609	\$ 792,102

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, 2015
 (In Thousands)

	Primary Government		Component Unit Treasure Island Development Authority
	Governmental Activities	Business- Type Activities	
LIABILITIES			
Current liabilities:			
Accounts payable.....	\$ 316,321	\$ 241,510	\$ 557,831
Accrued payroll.....	70,468	56,627	127,095
Accrued vacation and sick leave pay.....	90,405	65,754	156,159
Accrued workers' compensation.....	35,046	28,188	63,234
Estimated claims payable.....	52,797	50,390	103,187
Bonds, loans, capital leases, and other payables.....	336,217	526,282	862,499
Accrued interest payable.....	12,497	53,202	65,699
Unearned grant and subvention revenues.....	19,304	-	19,304
Due to primary government.....	-	-	546
Internal balances.....	8,327	(8,327)	-
Unearned revenues and other liabilities.....	400,970	638,191	1,039,161
Liabilities payable from restricted assets:			
Bonds, loans, capital leases, and other payables.....	-	70,694	70,694
Accrued interest payable.....	-	33,587	33,587
Other.....	-	136,126	136,126
Total current liabilities.....	1,345,352	1,892,224	3,237,576
Noncurrent liabilities:			
Accrued vacation and sick leave pay.....	59,469	38,906	98,375
Accrued workers' compensation.....	185,638	143,702	329,340
Other postemployment benefits obligation.....	1,114,636	814,608	1,929,244
Estimated claims payable.....	104,863	56,780	161,643
Bonds, loans, capital leases, and other payables.....	2,806,182	10,137,573	12,943,755
Advance from primary government.....	-	-	8,531
Unearned revenues and other liabilities.....	2,467	89,096	91,563
Derivative instruments liabilities.....	-	80,722	80,722
Net pension liability.....	1,067,520	749,919	1,817,439
Total noncurrent liabilities.....	5,340,775	12,111,306	17,452,081
Total liabilities.....	6,686,127	14,003,530	20,689,657
DEFERRED INFLOWS OF RESOURCES			
Unamortized gain on refunding of debt.....	256	393	649
Unamortized gain on leaseback transaction.....	-	16,141	16,141
Deferred inflows related to pensions.....	885,282	671,917	1,555,199
Total deferred inflows of resources.....	885,538	688,451	1,571,989
NET POSITION			
Net investment in capital assets, Note 2(k).....	2,684,808	5,117,679	7,520,698
Restricted for:			
Reserve for rainy day.....	114,969	-	114,969
Debt service.....	87,772	100,823	188,695
Capital projects - Note 2(k).....	252,663	356,745	330,213
Community development.....	297,094	-	297,094
Transportation Authority activities.....	13,486	-	13,486
Building Inspection programs.....	109,512	-	109,512
Children and families.....	100,892	-	100,892
Culture and recreation.....	94,108	-	94,108
Grants.....	82,214	-	82,214
Other purposes.....	33,077	35,986	69,063
Total restricted.....	961,387	495,654	1,400,246
Unrestricted (deficit), Note 2(k).....	(2,355,981)	(335,083)	(244)
Total net position.....	\$ 1,287,214	\$ 5,278,250	\$ 6,955,464

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, 2015
(In Thousands)

CITY AND COUNTY OF SAN FRANCISCO
Balance Sheet
Governmental Funds
June 30, 2015
(With comparative financial information as of June 30, 2014)
(In Thousands)

Functions/Programs	Expenses		Program Revenues		Net (Expense) Revenue and Changes in Net Position		Component Unit
	Primary Government	Other Governmental Funds	Charges for Services	Grants and Contributions	Primary Government	Other Governmental Funds	
			Governmental Activities	Special Activities	Governmental Activities	Special Activities	Development Authority
Governmental activities:							
Public protection:	\$ 1,108,200	\$ 70,444	\$ (855,439)	\$ -	\$ (655,438)	\$ -	
Police and fire:	270,454	128,681	(24,140)	-	(24,140)	-	
Human welfare and neighborhood development:	1,073,652	98,012	(382,983)	-	(382,983)	-	
Community health:	735,040	83,130	(387,119)	-	(387,119)	-	
Public works:	350,076	36,502	(250,351)	-	(250,351)	-	
General administration and finance:	249,823	89,403	(155,013)	-	(155,013)	-	
General City responsibilities:	94,577	37,031	(45,642)	-	(45,642)	-	
Unallocated interest on long-term debt and cost of issuance:	115,020	-	(115,020)	-	(115,020)	-	
Transitional activities:	4,022,452	612,983	(2,175,886)	-	(2,175,886)	-	
Business-type activities:							
Airport:	853,338	815,364	(5,855)	-	(5,855)	-	
Transportation:	1,018,251	499,584	(101,352)	-	(101,352)	-	
Port:	88,436	92,296	8,878	-	8,878	-	
Water:	149,438	147,803	(1,635)	-	(1,635)	-	
Hospitals:	996,395	894,718	(7,128)	-	(7,128)	-	
Sewer:	239,656	259,022	17,521	-	17,521	-	
Total business-type activities:	3,784,259	3,134,914	(100,965)	-	(100,965)	(100,965)	
Total primary government:	\$ 7,786,751	\$ 7,472,757	\$ (2,786,461)	\$ -	\$ (2,786,461)	\$ -	
Component unit:							
Treasure Island Development Authority:	\$ 7,886	\$ 14,235	\$ -	\$ 5,529	\$ -	\$ 11,903	
General Revenues:							
Property taxes:	1,840,383	-	1,840,383	-	1,840,383	-	
Business taxes:	611,932	-	611,932	-	611,932	-	
Sales and use tax:	240,424	-	240,424	-	240,424	-	
Hotel room tax:	394,262	-	394,262	-	394,262	-	
Public utility tax:	87,209	-	87,209	-	87,209	-	
Real property transfer tax:	314,603	-	314,603	-	314,603	-	
Other local taxes:	50,182	-	50,182	-	50,182	-	
Interest and investment income:	20,737	25,999	46,736	69	46,736	69	
Other:	48,305	200,146	247,054	-	247,054	-	
Total general revenues and transfers:	3,000,826	226,195	3,227,024	69	3,227,024	69	
Change in net position:	824,190	630,373	1,454,563	-	1,454,563	-	
Net position at beginning of year, as previously reported:	2,341,631	6,017,860	8,359,491	-	8,359,491	-	
Cumulative effect of accounting change:	(1,879,347)	(1,389,983)	(3,269,330)	-	(3,269,330)	-	
Net position at beginning of year, as restated:	482,284	4,627,877	5,110,161	-	5,110,161	-	
Net position at end of year:	\$ 1,287,214	\$ 5,279,250	\$ 6,565,464	\$ -	\$ 6,565,464	\$ 5,307	

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

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2015	2014	2015	2014	2015	2014
Assets:						
Deposits and investments with City Treasury:	\$ 1,292,562	\$ 1,063,040	\$ 1,308,000	\$ 1,332,623	\$ 2,600,562	\$ 2,395,663
Deposits and investments outside City Treasury:	8,880	2,311	98,659	65,991	107,539	68,302
Receivables (net of allowance for uncollectible amounts):	53,171	52,262	12,142	10,228	65,313	62,510
Property taxes and penalties:	249,887	218,551	28,569	27,936	278,396	246,285
Federal grants:	19,565	17,505	170,704	170,704	190,269	188,209
Grants for state grants and subventions:	68,318	144,555	21,326	13,517	89,644	158,072
Charges for services:	28,184	4,249	3,327	3,829	31,511	8,078
Interest and other:	5,848	12,511	6,324	5,873	12,182	18,384
Due from other funds:	948	878	2,978	545	3,926	1,423
Advance to component unit:	23,212	21,670	19,753	10,606	42,965	32,276
Loans receivable (net of allowance for uncollectible amounts):	3,560	1,332	73,140	70,747	76,700	72,079
Other assets:	1,193	3,458	7,570	13,638	8,763	17,098
Total assets:	\$ 1,897,136	\$ 1,583,897	\$ 1,677,933	\$ 1,665,597	\$ 3,375,069	\$ 3,259,484
Liabilities:						
Accounts payable:	\$ 171,002	\$ 177,241	\$ 136,739	\$ 151,808	\$ 307,741	\$ 329,049
Accrued payroll:	57,045	118,012	12,067	25,181	69,112	143,193
Unearned grant and subvention revenues:	5,902	9,748	13,402	8,333	19,304	18,081
Due to other funds:	639	701	19,681	20,910	20,320	21,611
Unearned revenues and other liabilities:	347,054	249,566	55,006	55,412	402,060	304,978
Bonds, loans, capital leases, and other payables:	-	-	157,760	172,700	157,760	172,700
Total liabilities:	581,642	555,266	383,461	437,404	975,103	992,672
Deferred inflows of resources:	170,298	203,067	140,725	128,776	311,023	329,843
Fund balances:						
Nonspendable:	24,786	24,022	329	441	25,115	24,463
Restricted:	114,969	83,194	1,110,836	1,115,226	1,225,805	1,198,420
Committed:	142,815	145,126	65,745	60,793	142,815	145,126
Assigned:	70,716	50,573	66,740	64,982	137,456	135,558
Unassigned:	157,550	174,317	(34,159)	(64,982)	123,392	99,534
Total fund balances:	1,145,196	835,562	1,143,747	1,101,417	2,289,943	1,938,979
Total liabilities, deferred inflows of resources and fund balances:	\$ 1,897,136	\$ 1,583,897	\$ 1,677,933	\$ 1,665,597	\$ 3,375,069	\$ 3,259,484

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, 2015
(In Thousands)

Fund balances — total governmental funds

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.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized in the governmental funds.

Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.

Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

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.

Internal service funds are used by management to charge the costs of capital lease financing, fleet management, printing and mailing services, and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.

Net position of governmental activities

\$ 1,287,214

\$ 2,288,943

4,865,138

(4,389,722)

311,023

(11,068)

18,112

(1,594,984)

(200,228)

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2015
(With comparative financial information as of June 30, 2014)

	General Fund			Other Governmental Funds			Total Governmental Funds		
	2015	2014	2015	2014	2015	2014	2015	2014	
Revenues:									
Property taxes.....	\$ 1,272,823	\$ 1,176,277	\$ 369,536	\$ 338,864	\$ 1,642,159	\$ 1,517,261			
Intergovernmental.....	166,426	166,426	100,278	100,278	266,704	266,704			
Sales and use tax.....	140,146	133,705	100,278	93,931	240,424	227,636			
Hotel room tax.....	394,262	310,052	-	-	394,262	310,052			
Utility users tax.....	86,979	86,810	-	-	86,979	86,810			
Parking tax.....	87,209	83,476	-	-	87,209	83,476			
Real property transfer tax.....	314,603	261,595	-	-	314,603	261,595			
Other local taxes.....	50,182	46,237	-	-	50,182	46,237			
Other local taxes - franchise.....	7,369	25,281	15,170	15,396	22,539	40,677			
Fees, forfeitures and penalties.....	21,765	23,144	21,765	23,144	28,154	28,425			
Interest and investment income.....	7,867	7,866	12,716	13,912	20,583	21,678			
Rents and concessions.....	24,339	25,501	74,763	65,211	99,102	90,712			
Intergovernmental.....	230,434	215,682	234,762	210,632	465,196	426,314			
State.....	620,977	609,977	130,937	111,959	751,574	721,736			
Federal.....	167,457	165,705	103,825	108,673	283,979	284,578			
Charges for services.....	215,036	189,850	144,008	153,654	359,044	333,904			
Other.....	9,162	9,760	114,443	125,163	123,605	134,923			
Total revenues.....	4,112,644	3,747,361	1,233,097	1,158,912	5,345,741	4,906,273			
Expenditures:									
Current:									
Public protection.....	1,148,405	1,096,859	61,752	75,658	1,210,157	1,172,497			
Public works, transportation and commerce.....	87,452	78,249	206,547	153,756	293,999	232,005			
Human welfare and neighborhood development.....	76,362	720,787	309,057	274,405	1,085,419	965,192			
Police.....	113,719	113,719	233,574	218,895	352,852	331,914			
Culture and recreation.....	119,276	119,276	23,574	218,895	352,852	331,914			
General administration and finance.....	208,695	190,335	42,675	43,642	251,370	233,977			
General City responsibilities.....	86,620	86,968	38	28	86,658	86,996			
Debt service.....	-	-	200,497	190,266	200,497	190,266			
Interest and other fiscal charges.....	-	-	121,371	119,142	121,371	119,142			
Capital outlays.....	-	-	412,740	449,726	412,740	449,726			
Total expenditures.....	3,098,553	2,954,888	1,694,076	1,620,441	4,733,629	4,576,339			
Excess (deficiency) of revenues over (under) expenditures.....	1,013,091	792,463	(460,979)	(461,529)	512,112	330,934			
Other financing sources (uses):									
Transfers in.....	164,712	216,449	391,575	346,834	556,287	563,283			
Transfers out.....	(873,741)	(720,806)	(187,345)	(154,490)	(1,061,086)	(876,296)			
Issuance of bonds and loans:									
Face value of bonds issued.....	-	-	448,530	257,175	448,530	257,175			
Face value of loans issued.....	-	-	136,763	8,735	136,763	8,735			
Premium on bonds and loans.....	-	-	(659,225)	(49,059)	(359,225)	(49,059)			
Payment to refund bond escrow agent.....	-	-	2,178	6,284	7,750	12,869			
Other financing sources-capital leases.....	5,572	6,595	503,309	435,256	(200,148)	(62,516)			
Total other financing sources (uses).....	(703,457)	(497,772)	503,309	435,256	(200,148)	(62,516)			
Net changes in fund balances.....	309,634	294,691	42,330	(26,273)	351,964	268,418			
Fund balances at beginning of year.....	835,562	540,871	1,101,417	1,127,690	1,936,979	1,664,561			
Fund balances at end of year.....	\$ 1,145,196	\$ 835,562	\$ 1,143,747	\$ 1,101,417	\$ 2,288,943	\$ 1,936,979			

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

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

CITY AND COUNTY OF SAN FRANCISCO
Budgetary Comparison Statement - General Fund
 Year Ended June 30, 2015
 (In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
	\$ 193,583	\$ 941,702	\$ 941,702	\$ -
Budgetary Fund Balance, July 1				
Resources (Inflows):				
Property taxes.....	1,232,927	1,272,623	1,272,623	38,696
Business taxes.....	572,385	572,385	609,614	37,229
Other local taxes.....				
Sales and use tax.....	136,080	136,080	140,146	4,066
Hotel room tax.....	318,350	318,350	384,362	75,912
Utility users tax.....	917,400	917,400	983,979	72,339
Parking tax.....	84,680	84,680	87,209	2,529
Over property transfer tax.....	235,000	235,000	314,483	79,663
Other grants and subventions.....	44,380	44,380	50,182	5,802
Licenses, permits and franchises:				
Licenses and permits.....	10,105	10,105	11,178	1,073
Franchise tax.....	17,024	17,024	16,811	(413)
Fines, forfeitures, and penalties.....	4,242	4,242	6,589	2,127
Interest and investment income.....	6,853	6,853	11,670	4,817
Rents and concessions:				
Garages - Recreation and Park.....	10,682	10,682	11,937	1,255
Rents and concessions - Recreation and Park.....	9,480	9,480	9,637	157
Other rents and concessions.....	2,529	2,529	2,856	427
Intergovernmental:				
Federal grants and subventions.....	234,922	229,741	225,880	(3,861)
State subventions:				
Social service subventions.....	111,126	109,700	98,843	(10,757)
Health / mental health subventions.....	138,900	138,774	122,807	(15,967)
Health and welfare realignment.....	233,922	233,922	218,160	(15,762)
Public safety sales tax.....	91,380	91,380	93,972	2,592
Other grants and subventions.....	48,033	49,044	73,465	24,421
Other.....	2,650	3,175	3,153	(622)
Charges for services:				
Police and fire service charges.....	62,106	62,088	60,863	(1,225)
Public safety service charges.....	33,900	34,104	38,594	4,490
Recreation charges - Recreation and Park.....	20,084	20,084	21,671	1,607
Medical, Medicare and health service charges.....	93,739	93,764	95,280	1,516
Other financing sources:				
Transfers from other funds.....	179,282	199,175	162,658	(37,117)
Repayment of loan from Component Unit.....	1,026	1,026	-	(1,026)
Other resources (inflows).....	20,538	21,532	8,361	(13,171)
Subtotal - Resources (Inflows).....	4,049,245	4,064,746	4,261,813	196,437
Total amounts available for appropriation.....	4,242,628	5,006,448	5,202,865	196,437

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, 2015
 (In Thousands)

Net changes in fund balances - total governmental funds	\$351,364
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.	411,702
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount by which the increase in certain liabilities reported in the statement of net position of the previous year exceeded expenses reported in the statement of activities that do not require the use of current financial resources.	(112,465)
Property tax revenues recognized under the full accrual method of accounting were less because deferred revenues in the prior year exceeded current year deferrals under the 60-day rule.	(1,776)
Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues in the statement of activities.	(21,530)
Governmental funds report expenditures pertaining to certain long-term loans made. These deferred outflow of resources are not reported on the statement of net position and therefore the corresponding expense is not reported on the statement of activities.	4,564
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.	250,365
Lease payments on the Moscone Convention Center (including both principal and interest) are reported as expenditures in the governmental funds when paid. For the City as a whole, however, the principal portion of the payments serves to reduce the liability in the statement of net position. This is the amount of property rent payments expended in the governmental funds that were reclassified as capital lease principal and interest payments in the current period.	3,480
The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. This is the amount by which bond and other debt proceeds exceeded principal retirement in the current period.	(26,571)
Bond premiums are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net position. This is the amount of bond premiums capitalized during the current period.	(69,833)
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond discounts, premiums and refunding losses and gains.	14,097
The activities of internal service funds are reported with governmental activities.	20,933
Change in net position of governmental activities	<u>\$ 824,930</u>

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

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

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement - General Fund (Continued)

Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation.....	\$ 27,543	\$ 28,497	\$ 24,590	\$ 3,937
District Attorney.....	42,923	43,011	42,808	203
Emergency Communications.....	48,364	48,415	48,136	279
Fire Department.....	316,089	319,321	319,339	162
Juvenile Probation.....	36,964	32,416	32,231	187
Police Department.....	449,277	449,277	452,278	724
Public Defender.....	30,131	30,118	29,575	543
Sheriff.....	173,180	161,849	160,949	900
Superior Court.....	31,980	31,940	30,677	1,263
Subtotal - Public Protection.....	1,171,763	1,158,771	1,144,033	14,738
Public Works, Transportation and Commerce				
Board of Appeals.....	964	960	875	85
Business and Economic Development.....	25,504	22,885	21,394	1,251
General Services Agency - Public Works.....	101,514	63,890	63,033	237
Public Utilities Commission.....	-	1,810	1,810	-
Municipal Transportation Agency.....	-	4,535	535	416
Subtotal - Public Works, Transportation and Commerce.....	127,982	89,270	87,291	1,979
Human Welfare and Neighborhood Development				
Children, Youth and Their Families.....	29,807	31,544	31,155	389
Commission on the Status of Women.....	5,595	5,477	5,440	37
County Education Office.....	116	116	116	-
Environment.....	-	127	127	-
Human Rights Commission.....	9,147	2,416	2,416	208
Mayor's Housing/Neighborhoods.....	761,640	768,811	717,852	41,559
Mayor - Housing/Neighborhoods.....	31,889	30,232	30,232	-
Subtotal - Human Welfare and Neighborhood Development.....	837,204	828,555	786,362	42,193
Community Health				
Public Health.....	736,916	703,869	650,537	55,052
Culture and Recreation				
Academy of Sciences.....	4,548	4,413	4,413	-
Arts Commission.....	8,712	7,630	7,741	89
Asian Art Museum.....	8,768	8,612	8,408	204
Fine Arts Museum.....	14,565	14,226	13,910	316
Law Library.....	1,536	1,536	1,394	142
Recreation and Park Commission.....	85,736	82,434	82,434	-
Subtotal - Culture and Recreation.....	126,927	119,051	118,260	791

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

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement - General Fund (Continued)

Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder.....	\$ 20,720	\$ 18,689	\$ 18,048	\$ 641
Board of Supervisors.....	13,326	13,588	13,277	311
City Attorney.....	12,057	12,594	12,350	44
City Planning.....	34,118	32,317	32,148	169
Civil Service.....	869	805	800	25
Comptroller.....	13,038	13,038	12,403	325
Finance Department.....	15,566	15,688	15,688	-
Finance Commission.....	4,574	2,680	2,965	1,372
General Services Agency - Administrative Services.....	61,476	53,200	52,654	1,146
General Services Agency - Technology.....	2,407	1,936	1,970	66
Health Services System.....	452	274	-	274
Human Resources.....	12,137	13,731	13,593	138
Mayor.....	5,217	5,183	5,150	33
Retirement Services.....	1,205	781	781	-
Treasurer/Tax Collector.....	35,706	33,195	31,609	1,586
Subtotal - General Administration and Finance.....	233,128	214,947	208,634	6,313
General City Responsibilities				
Other financing uses.....	107,723	116,322	98,066	18,236
Debt service.....	2,194	11	-	11
Transfers to other funds.....	835,253	873,592	873,592	-
Budgetary reserves and designations.....	69,718	39,966	39,966	-
Total charges to appropriations.....	4,242,828	4,144,054	3,966,795	177,259
Total Sources less Current Year Uses.....	\$ -	\$ 862,304	\$ 1,236,600	\$ 373,696
Budgetary fund balance, June 30 before reserves and designations			\$ 1,236,600	
Reserves and designations made from budgetary fund balance not available for appropriation			(650,711)	
Reserves for Litigation and Contingencies and General Reserves			(194,549)	
Net Available Budgetary Fund Balance, June 30			\$ 391,340	
Sources/inflows of resources				
Actual amounts (budgetary basis) "available for appropriation".....			\$ 4,202,885	
Difference - budget to GAAP.....			(941,202)	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.....			(941,202)	
Change in unrealized gain/(loss) on investments.....			(4,008)	
Interest earnings / charges from other funds assigned to General Fund as interest adjustment.....			1,503	
Interest earnings from other funds assigned to General Fund as other revenues.....			16,010	
Grants, subventions and other receivables received after 90-day recognition period.....			(191)	
Prepaid lease revenue, Civic Center Garage.....			(162,059)	
Transfers from other funds are in flows of budgetary resources, but are not revenues for financial reporting purposes.....			(162,059)	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund.....			\$ 4,112,644	
Uses/outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations".....			\$ 3,966,795	
Difference - budget to GAAP.....			5,572	
Capital asset purchases funded under capital leases with Finance Corporation and other vendors.....			778	
Recognition of expenditures for advances and imprest cash and capital asset acquisition for internal service fund.....			(873,592)	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.....			(873,592)	
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund.....			\$ 3,099,553	

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, 2015
 (With comparative financial information as of June 30, 2014)

	Business/Type Activities, Enterprise Funds							Total	Governmental Activities - Internal	
	San Francisco	Hetch Hetchy	San Francisco	General Hospital	Port of San Francisco	Enterprise	Center		2015	2014
ASSETS										
Deposits and investments with City Treasury	\$ 403,222	\$ 303,983	\$ 184,711	\$ 872,468	\$ 308,300	\$ 148,153	\$ 1,001,130	\$ 5	\$ 2,440,234	\$ 1,944,883
Deposits and investments outside City Treasury	6,445	108	-	9,088	10	-	13,530	-	16,335	13,530
Receivables (net of allowance for uncollectible accounts of \$30,883) and \$30,346 in 2014 and 2014, respectively)	30,895	38,733	1,075	6,809	7,320	24,033	69,762	19	107,762	94,115
Federal and state grants and subventions	1,075	688	176	7,863	67,676	3,138	773	68	22,994	22,994
Interest and other	-	197	10,144	4,001	26	-	14,428	18,233	60	34
Due from component unit	42	7,724	364	73,419	8,302	2,860	797	1,001	94,189	82,500
Inventories	618	-	220	514	-	121	639	-	1,174	639
Restricted assets:										
Deposits and investments with City Treasury	141,013	63,682	7,916	-	-	12,260	22,878	48,981	213,672	227,894
Deposits and investments outside City Treasury	30,215	-	-	-	-	11,880	2,594	-	32,115	34,709
Grants and other receivables	686,312	-	221,671	1,074,980	510,722	192,830	160,877	162,458	3,479,864	3,107,103
Total current assets	1,852	978	2,473	-	-	1,272	1,465	8,130	7,679	3,227
Noncurrent assets:										
Advance to component unit	259,152	303,787	45,890	31,852	18,299	2,009	-	-	705,802	927,616
Deposits and investments with City Treasury	382,146	11,665	436	-	-	-	13,032	598,543	590,343	4,665
Deposits and investments outside City Treasury	-	-	-	-	-	-	-	-	3,027	3,227
Capital assets	3,666,674	4,663,264	373,356	2,747,210	124,325	1,832,786	444,105	630,720	14,750,206	13,997,408
Land and other assets not being depreciated	389,752	1,264,295	92,779	1,076,126	64,728	400,893	124,897	180	3,333,650	3,361,999
Leasehold improvements, equipment, and other	3,276,922	3,400,000	280,577	1,670,084	58,597	1,431,893	319,208	539,540	11,416,556	10,635,400
Total capital assets	3,666,674	4,663,264	373,356	2,747,210	124,325	1,832,786	444,105	630,720	14,750,206	13,997,408
Total noncurrent assets	4,500,117	5,112,817	424,824	2,798,094	198,994	2,033,219	465,000	596,692	16,059,186	15,598,865
Total assets	5,275,629	5,580,189	646,495	3,973,974	607,667	2,198,143	596,137	751,120	19,539,020	18,543,747
DEFERRED OUTFLOWS OF RESOURCES										
Unmortized loss on refunding of debt	79,388	39,224	-	-	-	1,255	-	-	118,867	1,171
Deferred outflows related to pensions	37,517	28,200	6,883	88,450	56,671	12,008	5,555	23,769	209,633	61,964
Deferred outflows related to postemployment benefits	182,714	67,504	6,883	88,450	56,671	13,883	5,555	23,769	445,609	176,314
Total deferred outflows of resources	299,620	134,928	14,646	177,300	116,999	29,698	12,373	43,138	674,113	249,449
NET POSITION	\$ 4,976,009	\$ 5,445,261	\$ 631,849	\$ 3,796,674	\$ 490,668	\$ 2,168,445	\$ 573,739	\$ 707,982	\$ 18,864,907	\$ 18,294,298

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
 June 30, 2015
 (With comparative financial information as of June 30, 2014)

	Business/Type Activities, Enterprise Funds							Total	Governmental Activities - Internal	
	San Francisco	Hetch Hetchy	San Francisco	General Hospital	Port of San Francisco	Enterprise	Center		2015	2014
LIABILITIES										
Accounts payable	\$ 55,724	\$ 17,145	\$ 15,844	\$ 100,425	\$ 39,241	\$ 7,900	\$ 3,477	\$ 2,654	\$ 241,510	\$ 226,467
Accrued payroll	7,270	4,790	1,678	19,375	13,672	3,441	1,103	5,488	56,627	115,579
Accrued interest	1,403	1,403	1,403	2,687	1,403	3,884	1,403	1,403	11,403	11,403
Accrued workers' compensation	1,383	1,608	1,488	17,119	3,405	876	400	2,281	28,188	29,774
Estimated claims payable	2,627	6,708	1,228	34,979	6,446	3,884	1,068	3,491	50,300	39,491
Due to other funds and other liabilities	55,704	17,209	1,163	173,272	270,650	2,982	13,243	98,719	638,101	447,489
Accrued interest payable	153,471	27,898	1,631	3,102	5,097	8,857	1,668	1,691	53,302	51,480
Bonds, loans, capital leases, and other payables	70,684	-	-	-	-	-	-	-	506,282	459,495
Accrued interest payable	33,997	64,200	326	1,048	-	-	-	-	70,884	278,147
Total current liabilities	400,240	364,035	24,821	380,033	348,331	39,126	24,862	126,105	1,506,652	1,403,125
Noncurrent liabilities:										
Accrued vacation and sick leave pay	6,433	4,333	247	10,971	8,111	2,469	853	3,419	38,800	46,039
Other postemployment benefits obligation	115,287	104,263	22,845	220,259	212,950	41,690	20,091	76,885	814,608	724,434
Estimated claims payable	1,345	10,004	2,107	30,501	-	9,473	350	-	56,789	51,777
Bonds, loans, capital leases, and other payables	4,480,720	4,307,994	74,156	207,109	17,340	745,812	91,506	133,816	10,337,873	9,701,751
Derivative instruments liabilities	60,722	60,314	-	203,627	469,676	37,811	-	-	80,722	80,226
Total noncurrent liabilities	4,801,177	4,611,500	120,125	792,960	450,262	842,662	287,345	301,615	12,111,306	10,984,265
Total liabilities	5,281,717	4,975,535	144,946	1,183,000	798,593	1,034,258	234,207	427,468	14,017,958	12,807,390
DEFERRED INFLOWS OF RESOURCES										
Unmortized loss on refunding of debt	-	-	-	309	-	-	-	-	303	499
Deferred inflows related to pensions	100,280	79,597	18,400	161,141	-	-	-	-	161,141	17,289
Deferred inflows related to postemployment benefits	100,280	79,597	18,400	213,510	152,028	33,202	14,860	63,540	871,817	16,589
Total deferred inflows of resources	200,560	159,194	18,400	280,944	152,028	33,202	14,860	63,540	893,457	17,727
NET POSITION	\$ 4,775,289	\$ 5,285,726	\$ 616,903	\$ 3,615,674	\$ 442,075	\$ 2,135,187	\$ 1,934,240	\$ 644,513	\$ 17,977,052	\$ 17,977,052
Net investment in capital assets	(103,109)	426,073	345,814	2,529,275	102,233	1,888,562	315,037	414,804	5,117,679	4,832,659
Debt service	37,427	1,033	302	10,299	56,221	349	-	43,493	100,823	64,143
Capital projects	165,224	96,735	4,434	4,434	81,111	20,287	6,511	10,293	308,745	363,601
Unrestricted (deficit)	17,894	74,604	138,384	(201,428)	(337,457)	32,824	31,037	(202,569)	(335,838)	(702,726)
Total net position	\$ 117,136	\$ 599,405	\$ 480,334	\$ 2,351,280	\$ 2,029,000	\$ 1,942,652	\$ 3,552,905	\$ 2,703,881	\$ 17,977,052	\$ 17,977,052

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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
 Year Ended June 30, 2015
 (With comparative financial information as of June 30, 2014)
 (In Thousands)

	Business-Type Activities, Enterprise Funds											
	San Francisco Industrial Airport			Health Services			General Services			San Francisco Hospital		Governmental Activities
	2015	2014	Total	2015	2014	Total	2015	2014	Total	2015	2014	
Operating revenues:	\$ 468,810	\$ 400,023	\$ 441,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Passenger fees	-	-	-	-	-	-	-	-	-	-	-	-
Passenger fees revenue	-	-	-	-	-	-	-	-	-	-	-	-
Water and power service	-	-	-	-	-	-	-	-	-	-	-	-
Water revenue	-	-	-	-	-	-	-	-	-	-	-	-
Power revenue	-	-	-	-	-	-	-	-	-	-	-	-
Sewer service	-	-	-	-	-	-	-	-	-	-	-	-
Sewer revenue	-	-	-	-	-	-	-	-	-	-	-	-
Permit and commission	15,871	12,284	21,786	-	-	-	-	-	-	-	-	-
Permit and commission revenue	15,871	12,284	21,786	-	-	-	-	-	-	-	-	-
Other charges for services	62,838	42,522	33,267	-	-	-	-	-	-	-	-	-
Other charges for services revenue	62,838	42,522	33,267	-	-	-	-	-	-	-	-	-
Other revenues	83,880	15,745	118,224	-	-	-	-	-	-	-	-	-
Other revenues revenue	83,880	15,745	118,224	-	-	-	-	-	-	-	-	-
Operating expenses:	81,824	429,241	318,824	49,238	239,224	195,622	43,224	239,224	195,622	318,824	18,824	
Personal services	228,790	98,192	44,797	616,096	434,671	78,308	29,408	174,078	1,701,386	1,800,214	44,629	
Personal services expense	228,790	98,192	44,797	616,096	434,671	78,308	29,408	174,078	1,701,386	1,800,214	44,629	
Light, heat and power	22,296	12,729	20,298	101,707	156,662	13,641	7,398	44,697	44,697	48,108	39,805	
Light, heat and power expense	22,296	12,729	20,298	101,707	156,662	13,641	7,398	44,697	44,697	48,108	39,805	
Materials and supplies	14,892	12,897	2,360	79,043	76,612	9,915	1,689	18,481	210,179	222,799	18,481	
Materials and supplies expense	14,892	12,897	2,360	79,043	76,612	9,915	1,689	18,481	210,179	222,799	18,481	
Depreciation	5,132	16,613	41,979	6,832	20,987	4,296	16,441	14,621	188,179	202,800	382	
Depreciation expense	5,132	16,613	41,979	6,832	20,987	4,296	16,441	14,621	188,179	202,800	382	
Services provided by other departments	17,665	60,365	7,966	59,490	47,033	36,212	17,037	9,797	260,220	537,065	6,097	
Services provided by other departments expense	17,665	60,365	7,966	59,490	47,033	36,212	17,037	9,797	260,220	537,065	6,097	
Travel	39,624	29,965	143,962	101,140	781,865	219,465	83,122	227,215	3,392,436	3,431,307	124,746	
Travel expense	39,624	29,965	143,962	101,140	781,865	219,465	83,122	227,215	3,392,436	3,431,307	124,746	
Operating income (loss)	290,335	129,097	3,880	611,817	121,833	99,627	11,823	70,323	215,631	139,723	4,081	
Operating grants:	-	17	1,827	13,987	37,131	1,076	468	43	17,207	11,806	-	
Federal	-	17	1,827	13,987	37,131	1,076	468	43	17,207	11,806	-	
State	-	-	-	-	-	-	-	-	-	-	-	
Local and investment income	9,118	5,789	1,179	5,798	1,469	1,207	970	481	25,999	29,843	4,708	
Interest expense	(210,809)	(137,096)	(1,819)	(6,940)	(366)	(22,791)	(4,397)	(6,863)	(300,986)	(304,477)	(5,289)	
Interest expense expense	(210,809)	(137,096)	(1,819)	(6,940)	(366)	(22,791)	(4,397)	(6,863)	(300,986)	(304,477)	(5,289)	
Other nonrecurring revenue	(33,201)	(4,829)	(3,703)	17,316	19,209	15,141	15,141	15,141	(62,938)	(45,649)	16,292	
Other nonrecurring revenue expense	(33,201)	(4,829)	(3,703)	17,316	19,209	15,141	15,141	15,141	(62,938)	(45,649)	16,292	
Train nonrecurring revenue (expense)	(141,826)	(82,727)	39,274	166,761	39,274	(6,953)	(11,865)	9,329	(18,558)	(81,416)	1,146	
Income (less) before capital contributions	64,909	46,365	8,096	(46,098)	14,841	20,564	10,108	81,949	(232,237)	(410,999)	5,228	
Capital contributions	32,119	32,119	-	286,765	57,275	1,500	-	-	367,819	515,445	-	
Capital contributions expense	32,119	32,119	-	286,765	57,275	1,500	-	-	367,819	515,445	-	
Transfers in	(40,800)	52,143	2,076	397,033	155,698	(232)	167	72,844	699,500	549,144	1,292	
Transfers in expense	(40,800)	52,143	2,076	397,033	155,698	(232)	167	72,844	699,500	549,144	1,292	
Change in net position before extraordinary loss	56,148	97,360	11,139	294,666	123,269	29,332	11,776	6,954	630,373	416,463	3,040	
Extraordinary loss	(56,148)	(97,360)	(11,139)	(294,666)	(123,269)	(29,332)	(11,776)	(6,954)	(630,373)	(416,463)	(3,040)	
Net position at beginning of year	286,757	654,212	2,686,090	(60,679)	1,181,867	371,288	384,695	6,077,640	6,077,640	11,800	8,660	
Net position at beginning of year as previously reported	286,757	654,212	2,686,090	(60,679)	1,181,867	371,288	384,695	6,077,640	6,077,640	11,800	8,660	
Change in net position	(203,209)	(155,507)	(37,759)	(429,446)	(111,627)	(69,147)	(130,489)	(1,309,951)	(1,309,951)	(33,994)	(6,378)	
Change in net position as a result of accounting changes	(203,209)	(155,507)	(37,759)	(429,446)	(111,627)	(69,147)	(130,489)	(1,309,951)	(1,309,951)	(33,994)	(6,378)	
Net position at end of year	\$ 117,538	\$ 508,665	\$ 2,648,331	\$ 2,648,331	\$ 1,070,240	\$ 302,141	\$ 254,206	\$ 6,767,691	\$ 4,767,691	\$ 7,491	\$ 2,282	
Net position at end of year as a result of accounting changes	\$ 117,538	\$ 508,665	\$ 2,648,331	\$ 2,648,331	\$ 1,070,240	\$ 302,141	\$ 254,206	\$ 6,767,691	\$ 4,767,691	\$ 7,491	\$ 2,282	

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



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CITY AND COUNTY OF SAN FRANCISCO
Statement of Cash Flows – Proprietary Funds (Continued)
 Year Ended June 30, 2015
 (With comparative financial information as of June 30, 2014)

	Business Type Activities - Enterprise Funds							Total	2015	2014	Governmental and Special Services Funds
	San Francisco International Airport	San Francisco Enterprise	Hetch Hetchy Water and Power	Municipal Water and Sewer Agency	General Medical Center	San Francisco Enterprise	Part of San Francisco Hospital				
Operating income (loss) from continuing activities:	\$ 209,355	\$ 129,097	\$ 3,889	\$ (511,817)	\$ (23,833)	\$ 39,517	\$ (1,672)	\$ (2,028,723)	\$ (4,024)	\$ (1,727)	\$ 4,024
Operating income (loss) from discontinued operations:	210,146	95,384	17,887	128,796	6,346	50,254	22,787	16,841	520,137	2,851	1,907
Provision for doubtful accounts:	80	107	5,144	24	1	(24)	(186)	77	(41)	1	(41)
Depreciation and amortization:	2,999	2,931	5,144	24	1	14	(186)	2,909	8,030	1,033	62
Other:	(1,964)	7,339	1,638	(1,079)	6,217	5,802	(185)	13,977	31,474	(3,294)	20,809
Changes in assets and deferred outflows of resources/liabilities:											
Receivables, net of discounts:	14	(118)	1172	(11,300)	186	233	(43,970)	(11,720)	(4,272)	-	-
Due from other funds:	62	-	4,024	-	-	(64)	25	4,008	(1,970)	-	-
Other assets:	(7,918)	(5,023)	(7,783)	(18,081)	(13,786)	(3,759)	(1,196)	(45,922)	12,180	(1,928)	383
Accrued payroll:	341	(703)	93	1,951	830	319	(72)	150	2,899	2,257	47
Accrued vacation and sick leave pay:	11,514	9,201	2,722	21,032	21,340	4,826	2,000	7,177	80,174	70,426	1,962
Other postemployment benefits obligation:	71	(33,049)	730	(2,849)	157,788	181	(424)	13,577	27,852	0	(114)
Unearned revenue and other liabilities:	(11,064)	(23,448)	(5,203)	(68,000)	(47,000)	(10,533)	(4,600)	(19,883)	(298,000)	(6,146)	(9,200)
Net pension liability and pension related deferred outflows and other liabilities:	207,697	81,017	29,285	71,188	(26,332)	55,006	26,544	(11,949)	720,706	17,830	10,000
Total adjustments:	\$ (43,452)	\$ (89,144)	\$ (30,345)	\$ (440,033)	\$ (102,009)	\$ (85,213)	\$ (49,717)	\$ (53,709)	\$ (376,053)	\$ (41,956)	\$ (21,469)
Net cash provided by (used in) operating activities:	\$ 403,922	\$ 303,983	\$ 194,711	\$ (872,466)	\$ (318,300)	\$ 148,153	\$ (100,136)	\$ -	\$ 2,440,334	\$ 1,944,880	\$ 37,895
Investments with City Treasury:	400,105	300,797	45,899	51,802	-	65,141	23,978	48,081	918,474	1,196,830	-
Residual investments outside City Treasury:	6,445	108	10	9,089	10	87	5	2	16,355	13,530	-
Residual investments with other entities:	(48,627)	(212,019)	(7,215)	(8,209)	(2,629)	12,250	(11,385)	(10,005)	(78,501)	(26,029)	(45,147)
Capital contributions:	1,280,769	889,277	247,357	932,351	300,979	225,631	144,167	63,018	4,112,684	3,309,752	7,012
Losses: Investments outside City Treasury not meeting the definition of cash equivalents:	(489,957)	(82,217)	(151)	(2,858)	(6,995)	(326)	(12,858)	(859,243)	(485)	(4,625)	(6,720)
Capital contributions in prior years:	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by (used in) investing activities:	\$ 899,832	\$ 787,650	\$ 287,796	\$ (932,305)	\$ (310,979)	\$ 218,995	\$ (43,833)	\$ (2,151)	\$ 3,353,441	\$ 3,330,607	\$ 66,147
Non-cash capital and related financing activities:											
Debt proceeds:	\$ 43,890	\$ 54,300	\$ 256	\$ -	\$ 4,436	\$ 28,717	\$ 1,936	\$ 627	\$ 133,772	\$ 210,181	\$ 424
Debt payments:	9,980	750,200	610	1,108	10,945	12,307	310	400	100,000	2,981	-
Debt maturity:	-	(2,960)	(553)	-	7,306	-	(810)	-	(4,330)	13,794	-
Capital contributions in other non-cash capital items:	269,927	79	-	-	-	1,542	-	-	4,181	1,488	-
Investment:	-	-	-	-	-	-	-	-	-	-	-

to the statement of the position:
 Unrestricted: \$ 400,105
 Restricted: \$ 400,105
 Restricted - investments with City Treasury: \$ 400,105
 Restricted - investments outside City Treasury: \$ 400,105
 Restricted - other investments: \$ 400,105
 Losses: Investments outside City Treasury not meeting the definition of cash equivalents: \$ 400,105
 Capital contributions in prior years: \$ 400,105
 Non-cash capital and related financing activities: \$ 400,105
 Debt proceeds: \$ 400,105
 Debt payments: \$ 400,105
 Debt maturity: \$ 400,105
 Capital contributions in other non-cash capital items: \$ 400,105
 Investment: \$ 400,105

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, 2015
 (With comparative financial information as of June 30, 2014)

	Business Type Activities - Enterprise Funds							Total	2015	2014	Governmental and Special Services Funds
	San Francisco International Airport	San Francisco Enterprise	Hetch Hetchy Water and Power	Municipal Water and Sewer Agency	General Medical Center	San Francisco Enterprise	Part of San Francisco Hospital				
Cash flows from operating activities:	\$ 832,229	\$ 398,127	\$ 151,050	\$ 940,049	\$ 892,231	\$ 250,979	\$ 18,411	\$ (169,090)	\$ 3,266,598	\$ 3,101,196	\$ 159,542
Cash received from customers, including cash deposits:	113,081	117,564	8,800	83,800	2,844	89,895	89,895	89,895	113,081	89,895	89,895
Cash received from vendors for net:	(198,256)	(198,365)	(65,072)	(133,876)	(30,245)	(80,332)	(34,238)	(35,792)	(1,104,989)	(1,153,540)	(68,771)
Cash paid for supplies for goods and services:	(414,424)	(318,653)	(33,035)	(440,239)	(192,922)	(82,217)	(40,731)	(49,792)	(2,213,111)	(2,035,211)	(77,186)
Cash paid for judgments and claims:	-	-	-	-	-	-	-	-	37,052	(41,732)	21,462
Cash flows from noncapital financing activities:	65,739	-	-	352,179	57,275	-	7,676	16,000	49,079	401,405	1,241
Operating grants:	(64,430)	(1,148)	(2)	(14,070)	(13,655)	(60)	(6,829)	(164,509)	(210,315)	(142)	(178)
Transfers out:	1,323	15,006	7,019	16,343	1,509	1,688	(6,940)	42,946	42,946	28,475	-
Other noncapital financing increases:	(67,752)	64,139	6,265	312,451	87,418	17,234	1,824	61,116	69,235	428,898	8
Capital and related financing activities:	298,420	459,230	44,412	80,393	-	-	187	-	852,456	933,225	-
Proceeds from sale/transfer of capital assets:	60,700	8,130	27	33	3,381	100,000	5	92,700	64,898	26,110	-
Proceeds from sale/transfer of other assets:	52,720	108,965	(54,669)	(33,508)	(24,989)	(6,903)	(6,903)	(7,000)	(1,000)	(6,903)	-
Proceeds from pay per year facility charges:	(424,330)	(1,450)	(1,841)	(6,811)	(6,811)	(6,811)	(6,811)	(6,811)	(1,444,444)	(1,444,444)	-
Acquisition of capital assets:	(424,330)	(1,450)	(1,841)	(6,811)	(6,811)	(6,811)	(6,811)	(6,811)	(1,444,444)	(1,444,444)	-
Proceeds from sale of investments:	(271,630)	26,111	700	(6,777)	(1,468)	(4,693)	(7,194)	(21,794)	317,790	317,790	(5,100)
Bond issue costs paid:	-	-	-	-	-	-	-	-	-	-	-
Bond issue costs paid - bonds and loans:	-	-	-	-	-	-	-	-	-	-	-
Federal pension liability from Bull American Bonds:	-	-	-	-	-	-	-	-	-	-	-
Other capital financing decreases:	(262,403)	(558,673)	(6,348)	(105,233)	32,888	(1,324)	(1,707)	(884,241)	(1,168,721)	(34,271)	(31,003)
Net cash provided by (used in) investing activities:	\$ 899,832	\$ 787,650	\$ 287,796	\$ (932,305)	\$ (310,979)	\$ 218,995	\$ (43,833)	\$ (2,151)	\$ 3,353,441	\$ 3,330,607	\$ 66,147
Non-cash capital and related financing activities:											
Debt proceeds:	\$ 43,890	\$ 54,300	\$ 256	\$ -	\$ 4,436	\$ 28,717	\$ 1,936	\$ 627	\$ 133,772	\$ 210,181	\$ 424
Debt payments:	9,980	750,200	610	1,108	10,945	12,307	310	400	100,000	2,981	-
Debt maturity:	-	(2,960)	(553)	-	7,306	-	(810)	-	(4,330)	13,794	-
Capital contributions in other non-cash capital items:	269,927	79	-	-	-	1,542	-	-	4,181	1,488	-
Investment:	-	-	-	-	-	-	-	-	-	-	-

to the statement of the position:
 Unrestricted: \$ 400,105
 Restricted: \$ 400,105
 Restricted - investments with City Treasury: \$ 400,105
 Restricted - investments outside City Treasury: \$ 400,105
 Restricted - other investments: \$ 400,105
 Losses: Investments outside City Treasury not meeting the definition of cash equivalents: \$ 400,105
 Capital contributions in prior years: \$ 400,105
 Non-cash capital and related financing activities: \$ 400,105
 Debt proceeds: \$ 400,105
 Debt payments: \$ 400,105
 Debt maturity: \$ 400,105
 Capital contributions in other non-cash capital items: \$ 400,105
 Investment: \$ 400,105

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, 2015
 (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.....	\$ 182,019	\$ 539,404	\$ 270,466	\$ 190,217
Deposits and investments outside City Treasury:				
Cash and deposits.....	31,969	105	5,339	37
Short-term investments.....	656,185	-	150,484	-
Debt securities.....	4,967,128	-	-	-
Equity securities.....	10,454,530	-	-	-
Real assets.....	1,975,926	-	-	-
Private equity.....	2,484,289	-	-	-
Foreign currency contracts, net.....	1,001,231	-	-	-
Invested in securities lending collateral.....	27,925	-	-	30,822
Receivables:				
Employer and employee contributions.....	226,201	-	952	-
Brokers, general partners and others.....	41,732	550	6,394	207,252
Federal and state grants and subventions.....	-	-	-	45,538
Interest and other.....	-	-	-	-
Other assets.....	-	-	55,402	-
Capital assets.....	-	-	132,694	-
Land and other assets not being depreciated.....	-	-	621,131	473,866
Facilities, infrastructure and equipment, net of depreciation.....	22,049,867	540,059	-	-
Total assets.....	\$ 22,049,867	\$ 540,059	\$ 621,131	\$ 473,866
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions.....	-	-	1,573	-
Unamortized loss on refunding of debt.....	-	-	1,722	-
Total deferred outflows of resources.....	-	-	3,295	-
LIABILITIES				
Accounts payable.....	59,190	43	19,307	62,243
Estimated claims payable.....	29,345	-	1,820	-
Due to the primary government.....	-	-	-	411,623
Agency obligations.....	-	-	20,104	-
Bond interest payable.....	-	-	-	-
Payable to brokers.....	374,001	-	-	-
Deferred Retirement Option Program.....	1,491	-	-	-
Payable to borrowers of securities.....	1,001,546	-	1,292	-
Other liabilities.....	1,677	-	39,224	-
Advance from primary government.....	-	-	944,415	-
Long-term obligations.....	-	-	15,870	-
Net pension liability.....	-	-	1,042,042	-
Total liabilities.....	\$ 1,467,248	\$ 43	\$ 1,042,042	\$ 473,866
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	-	-	7,793	-
NET POSITION				
Held in trust for:				
Pension and other employee benefits.....	20,582,619	540,016	(425,409)	-
External pool participants.....	-	-	-	-
Redevelopment Agency dissolution.....	-	-	-	-
Total net position.....	\$ 20,582,619	\$ 540,016	\$ (425,409)	\$ -

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, 2015
 (In Thousands)

	Pension, Other Employee and Other Post- Employment Benefit Trust Funds	Investment Trust Fund	Private- Purpose Trust Fund
Additions:			
Redevelopment property tax revenues.....	\$ -	\$ -	\$ 124,791
Charges for services.....	-	-	69,419
Contributions:			
Employers' contributions.....	438,514	-	-
Employer contributions.....	1,256,993	-	-
Contributions to pooled investments.....	-	2,637,138	-
Total contributions.....	1,695,507	2,637,138	194,210
Investment income:			
Interest.....	210,580	3,649	2,045
Dividends.....	214,636	-	-
Net appreciation in fair value of investments.....	378,507	-	-
Securities lending income.....	4,869	-	-
Total investment income.....	808,592	3,649	2,045
Less investment expenses:			
Securities lending borrower rebates and expenses.....	796	-	-
Other investment expenses.....	(44,911)	-	-
Total investment expenses.....	(44,115)	-	-
Other additions.....	-	-	6,851
Total additions, net.....	2,459,984	2,640,787	203,106
Deductions:			
Neighborhood development.....	-	-	95,345
Depreciation.....	-	-	5,638
Interest on debt.....	-	-	57,183
Benefit payments.....	1,907,969	-	-
Refunds of contributions.....	12,339	-	-
Distribution from pooled investments.....	-	2,719,361	-
Administrative expenses.....	19,502	-	8,305
Total deductions.....	1,939,810	2,719,361	166,471
Change in net position.....	520,174	(78,574)	36,635
Net position at beginning of year, as previously reported.....	20,062,445	618,590	(439,637)
Cumulative effect of accounting change.....	-	-	(22,407)
Net position at beginning of year, as restated.....	20,062,445	618,590	(462,044)
Net position at end of year.....	\$ 20,582,619	\$ 540,016	\$ (425,409)

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, 2015
(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 a voter-approved sales and use tax of one-half of one percent, for a period not to exceed 20 years, to fund essential traffic and transportation projects. In 2003, the voters approved Proposition K, extending the city-wide one-half of one percent sales tax with a new 30 year plan. A board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the Transportation Authority. The Transportation Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Transportation Authority can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103.

San Francisco City and County Finance Corporation (Finance Corporation) – The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase \$20 million (plus 5% per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

San Francisco Parking Authority (The Parking Authority) – The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (PTC). The PTC consists of five commissioners appointed by the Mayor. Upon creation of the PTC, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the PTC. The staff and fiscal operations of the Parking Authority were also incorporated into the PTC. Beginning on July 1, 2002, the responsibility for overseeing the operations of the PTC became the responsibility of the Municipal Transportation Agency (SFMTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the SFMTA Chief Financial Officer at 1 South Van Ness Avenue, 8th Floor, San Francisco, CA 94102.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)

June 30, 2015
(Dollars in Thousands)

Discretely Presented Component Unit

Treasure Island/Development Authority (The TIDA) – The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern the TIDA. The specific purpose of the TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse, and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare, and common benefit of the inhabitants of the City. The TIDA has adopted as its mission the creation of affordable housing and economic development opportunities on Treasure Island.

The TIDA's governing body is not substantively the same as that of the City and does not provide services entirely or almost entirely to the City. The TIDA is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the TIDA through the appointment of the TIDA's Board and the ability of the City to approve the TIDA's budget. Disclosures related to the TIDA, where significant, are separately identified throughout these notes. Separate financial statements are not prepared for TIDA. Further information about TIDA can be obtained from their administrative offices at 1 Avenue of the Palms, Suite 241, Treasure Island, San Francisco, CA 94130.

Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency) – The Successor Agency was created on February 1, 2012 to serve as a custodian for the assets and to wind down the affairs of the former San Francisco Redevelopment Agency pursuant to California Redevelopment Dissolution Law. The Successor Agency is governed by the Successor Agency Commission, commonly known as the Commission on Community Investment and Infrastructure, and is a separate public entity from the City. The Commission has five members, which serve at the pleasure of the City's Mayor and are subject to confirmation by the Board of Supervisors. The City is financially accountable for the Successor Agency through the appointment of the Commission and a requirement that the Board of Supervisors approve the Successor Agency's annual budget.

The financial statements present the Successor Agency and its component units, entities for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Per the Redevelopment Dissolution Law, certain actions of the Successor Agency are also subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies; four City representatives appointed by the Mayor of the City subject to confirmation by the Board of Supervisors of the City; the Vice Chancellor of the San Francisco Community College District; the Board member of the Bay Area Rapid Transit District; and the Executive Director of Policy and Operations of the San Francisco Unified School District.

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenues in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund). Complete financial statements can be obtained from the Successor Agency's finance department at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)

June 30, 2015
(Dollars in Thousands)

Non-Disclosed Organizations

There are other governmental agencies that provide services within the City. These entities have independent governing boards and the City is not financially accountable for them. The City's basic financial statements, except for certain cash held by the City as an agent, do not reflect operations of the San Francisco Airport Improvement Corporation, San Francisco Health Authority, San Francisco Housing Authority, San Francisco Unified School District, and San Francisco Community College District. The City is represented in two regional agencies, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District, both of which are also excluded from the City's reporting entity.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The basic financial statements include certain prior year summarized comparative information. This information is presented only to facilitate financial analysis.

(b) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, report only assets and liabilities and cannot be said to have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 90 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)

June 30, 2015
(Dollars in Thousands)

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 City and certain suburban areas.
- The **Hetch Hetchy Water and Power Enterprise Fund** accounts for the activities of Hetch Hetchy Water and Power Department (Hetch Hetchy). The department is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity.
- The **Municipal Transportation Agency Fund** accounts for the activities of the Municipal Transportation Agency (SFMTA). The SFMTA was established by Proposition E, passed by the City's voters in November 1999. The SFMTA includes the San Francisco Municipal Railway (Muni) and the operations of Sustainable Streets (previously named the Department of Parking and Traffic), which includes the Parking Authority. Muni was established in 1912 and is responsible for the operations of the City's public transportation system. Sustainable Streets is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. Sustainable Streets is a separate department of the SFMTA. The parking garages fund accounts for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.
- The **General Hospital Medical Center Fund** accounts for the activities of the San Francisco General Hospital (SFGH), a City-owned acute care hospital.
- The **San Francisco Wastewater Enterprise Fund** was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue \$240 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City's municipal sewage treatment and disposal system.
- The **Port of San Francisco Fund** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.
- The **Laguna Honda Hospital Fund** accounts for the activities of Laguna Honda Hospital (LHH), the City-owned skilled nursing facility, which specializes in serving elderly and disabled residents.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

Additionally, the City reports the following fund types:

- The **Permanent Fund** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.
- The **Internal Service Funds** account for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis. Internal Service Funds account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.
- The **Pension, Other Employee and Other Postemployment Benefit Trust Funds** reflect the activities of the Employees' Retirement System (Retirement System), the Health Service System and the Retiree Health Care Trust Fund. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirement benefits, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries. The Retiree Health Care Trust Fund currently accounts for employee contributions from active employees hired after January 9, 2009, related City contributions, and the earnings and profits from investments. No disbursements, other than to defray reasonable expenses of administering the trust, will be made until sufficient funds are set aside to pay for all future retiree health care costs, except in certain limited circumstances.
- The **Investment Trust Fund** accounts for the external portion of the Treasurer's Office investment pool. The funds of the San Francisco Community College District, San Francisco Unified School District, the Trial Courts of the State of California and the Transbay Joint Powers Authority are accounted for within the Investment Trust Fund.
- The **Private-Purpose Trust Fund** accounts for the custodial responsibilities that are assigned to the Successor Agency with the passage of the Redevelopment Dissolution Act.
- The **Agency Funds** account for the resources held by the City in a custodial capacity on behalf of: the State of California and other governmental agencies; employees for payroll deductions; and human welfare, community health, and transportation programs.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the General Fund, Water Enterprise and Hetch Hetchy. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer and power charges, public transportation fees, airline fees and charges, parking fees, hospital patient service fees, commercial and industrial rents, printing services, vehicle maintenance fees, and telecommunication and information system support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

(c) Budgetary Data

The City adopts two-year rolling budgets annually for all governmental funds on a substantially modified accrual basis of accounting except for capital project funds and certificates of participation and other debt service funds, which substantially adopt project length budgets.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The Administrative Code Chapter 3 outlines the City's general budgetary procedures, with Section 3.3 detailing the budget timeline. A summary of the key budgetary steps are summarized as follows:

Original Budget

- (1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.
- (2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.
- (3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.
- (4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.
- (5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.
- (6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes an interim appropriation and salary ordinances.
- (7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- (1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

(2) Appropriations may be adjusted during the year with the approval of the Mayor and the Board of Supervisors, e.g. supplemental appropriations. Additionally, the Controller is authorized to make certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

The Annual Appropriation Ordinance adopts the budget at the character level of expenditure within departments. As described above, the Controller is authorized to make certain transfers of appropriations within departments. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

Budgetary data, as revised, is presented in the basic financial statements for the General Fund. Final budgetary data excludes the amount reserved for encumbrances for appropriate comparison to actual expenditures.

(d) Deposits and Investments
Investment in the Treasurer's Pool

The Treasurer invests on behalf of most funds of the City and external participants in accordance with the City's investment policy and the California State Government Code. The City Treasurer who reports on a monthly basis to the Board of Supervisors manages the Treasurer's pool. In addition, the function of the County Treasury Oversight Committee is to review and monitor the City's investment policy and to monitor compliance with the investment policy and reporting provisions of the law through an annual audit.

The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to Successor Agency separately managed funds, bond issues of the Enterprise Funds, and the General Fund's cash reserve requirement. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City. The investments of the Retirement System are held by trustees (Note 5).

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, 2015, involuntary participants accounted for approximately 95.2% of the pool. Voluntary participants accounted for 4.8% 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, 2015, \$540.0 million was held on behalf of these external participants. The total percentage share of the City's pool that relates to these four external participants is 7.6%. Internal participants accounted for 92.4% of the pool.

Investment Valuation

Investments are carried at fair value, except for certain non-negotiable investments, such as collateralized certificates of deposit and public time deposits, that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates. 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 overdraw 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, 2015
(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 the Retirement System's real estate investments are based on net asset values provided by the investment managers. Partnership financial statements are audited annually as of December 31 and net asset values are adjusted monthly or quarterly for cash flows to/from the Retirement System, investment earnings and expenses, and changes in fair value. The Retirement System has established leverage limits for each investment style based on the risk/return profile of the underlying investments. The leverage limits for core and value-added real estate investments are 40% and 65%, respectively. The leverage limits for high return real estate investments depend on each specific offering. Outstanding mortgages for the Retirement System's real estate investments were \$639.6 million including \$51.7 million in recourse debt at June 30, 2015. The underlying real estate holdings are valued periodically based on appraisals performed by independent appraisers in accordance with Uniform Standards of Professional Appraisal Practice. Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the real estate can only be determined by negotiation between independent third-parties in a purchase and sale transaction.

Private equity investments represent the Retirement System's interest in limited partnerships. The fair values of private equity investments are based on net asset values provided by the general partners. Partnership financial statements are audited annually as of December 31 and net asset values are adjusted monthly or quarterly for cash flows to/from the Retirement System, investment earnings and changes in fair value. Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the investments can only be determined by negotiation between independent third-parties in a purchase and sale transaction.

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

All securities loans can be terminated on demand by either the Retirement System or the borrower, although the average term of the loans as of June 30, 2015 was 61 days. All cash collateral received was invested in a separately managed account by the lending agent using investment guidelines developed and approved by the Retirement System. As of June 30, 2015, the weighted average maturity of the reinvested cash collateral account was 24 days. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the said collateral. Cash collateral may also be invested separately in term loans, in which case the maturity of the loaned securities matches the term of the loan.

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

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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*. 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, the changes in the fair value of hedging derivative instruments are reported as either deferred outflows of resources or deferred inflows of resources in the statement of net position.

Other funds – Non-pooled investments are also generally carried at fair value. However, money market investments (such as short-term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) that have a remaining maturity at the time of purchase of one year or less and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost, which approximates fair value. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

Investment Income

Income from pooled investments is allocated at month-end to the individual funds or external participants based on the fund or participant's average daily cash balance in relation to total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the General Fund. On a generally accepted accounting principles (GAAP) basis, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental funds, Internal Service, Investment Trust and Agency Funds.

It is the City's policy to charge interest at month-end to those funds that have a negative average daily cash balance. In certain instances, City management has determined that the interest expense related to the fund should be allocated to the General Fund. On a budget basis, the interest expense is recorded in the General Fund. On a GAAP basis, the interest expense is recorded in the fund and then a transfer from the General Fund for an amount equal to the interest expense is made to the fund. This is the case for certain other funds, SFMTA, LHH, SFGH, and the Internal Service Funds.

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

(e) Loans Receivable

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issue loans to qualified applicants. In addition, the Department of Building Inspection manages other receivables from organizations. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2015, it was determined that \$1,004.7 million of the \$1,081.4 million loan portfolio is not expected to be ultimately collected.

For the purposes of the fund financial statements, the governmental funds expenditures relating to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred inflow of resources. For purposes of the government-wide financial statements, long-term loans are not offset by deferred inflows of resources.

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(f) Inventories

Inventories recorded in the proprietary funds primarily consist of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. The governmental fund types use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired.

(g) Property Held for Resale

Property held for resale includes both residential and commercial property and is recorded as other assets at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use. Property held for sale may, during the period it is held by the City, generate rental income, which is recognized as it becomes due and is considered collectible.

(h) Capital Assets

Capital assets, which include land, facilities and improvements, machinery and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the private-purpose trust fund. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than \$5 thousand and have an estimated life that extends beyond a single reporting period or more than a year. Intangible assets have a capitalization threshold of \$100 thousand. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed; net of interest earned on the invested proceeds of tax-exempt debt over the same period. Amortization of assets acquired under capital leases is included in depreciation and amortization. Facilities and improvements, infrastructure, machinery and equipment, easements, and intangible assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Facilities and improvements	15 to 175
Infrastructure	15 to 70
Machinery and equipment	2 to 75
Intangible assets	Varies with type

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for, and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

(i) Accrued Vacation and Sick Leave Pay

Vacation pay, which may be accumulated up to ten weeks depending on an employee's length of service, is payable upon termination. Sick leave may be accumulated up to six months. Unused amounts accumulated prior to December 6, 1978 are vested and payable upon termination of employment by retirement or disability caused by industrial accident or death.

The City accrues for all salary-related items in the government-wide and proprietary fund financial statements for which they are liable to make a payment directly and incrementally associated with

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payments made for compensated absences on termination. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay.

(j) Bond Issuance Costs, Premiums, Discounts, and Interest Accretion

In the government-wide financial statements, the proprietary fund type and fiduciary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund or fiduciary fund statement of net position. Bond issuance costs related to prepaid insurance costs, bond premiums and discounts for San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, SFMTA, and San Francisco Wastewater Enterprise are amortized over the life of the bonds using the effective interest method. The remaining bond prepaid insurance costs, bond premiums and discounts are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively. Issuance costs including bond insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Interest accreted on capital appreciation bonds is reported as accrued interest payable in the government-wide, proprietary fund and fiduciary fund financial statements.

(k) Fund Equity

Governmental Fund Balance

As prescribed by Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in one of five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The five fund balance classifications are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, such as prepaid amounts, as well as certain long-term receivables that would otherwise be classified as unassigned.
- *Restricted* – includes amounts that can only be used for specific purposes due to constraints imposed by external resource providers, by the City's Charter, or by enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes amounts that can only be used for specific purposes pursuant to an ordinance passed by the Board of Supervisors and signed by the Mayor. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned* – includes amounts that are not classified as nonspendable, restricted, or committed, but are intended to be used by the City for specific purposes. Intent is expressed by legislation or by action of the Board of Supervisors or the City Controller to which legislation has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

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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.

Fund balances for all the major and nonmajor governmental funds as of June 30, 2015, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Imprest Cash, Advances, and Long-Term Receivables.....	\$ 24,786	\$ 137	\$ 24,923
Gift Fund Principal.....	-	192	192
Total Nonspendable.....	24,786	329	25,115
Restricted			
Rainy Day.....	114,969	42,104	157,073
Public Protection:			
Police.....	-	18,583	18,583
Sheriff.....	-	969	969
Other Public Protection.....	-	11,208	11,208
Public Works, Transportation & Commerce.....	-	243,716	243,716
Human Welfare & Neighborhood Development.....	-	178,946	178,946
Affordable Housing.....	-	149,219	149,219
Community Health.....	-	33,068	33,068
Culture & Recreation.....	-	125,343	125,343
General Administration & Finance.....	-	9,792	9,792
Capital Projects.....	-	176,601	176,601
Debt Service.....	-	121,287	121,287
Total Restricted.....	114,969	1,110,836	1,225,805
Committed			
Budget Stabilization.....	132,264	-	132,264
Recreation and Parks Expenditure Savings.....	10,551	-	10,551
Total Committed.....	142,815	-	142,815
Assigned			
Public Protection:			
Police.....	3,758	763	4,521
Sheriff.....	2,877	2,062	4,939
Other Public Protection.....	8,693	-	8,693
Public Works, Transportation & Commerce.....	19,750	39,986	59,736
Human Welfare & Neighborhood Development.....	28,897	4,382	33,279
Affordable Housing.....	14,254	-	14,254
Community Health.....	56,093	-	56,093
Culture & Recreation.....	5,808	8,229	14,037
General Administration & Finance.....	68,040	11,318	79,358
Capital City Responsibilities.....	40,002	-	40,002
Capital Projects.....	90,661	-	90,661
Litigation and Contingencies.....	131,970	-	131,970
Subsequent Year's Budget.....	234,273	-	234,273
Total Assigned.....	705,076	66,740	771,816
Unassigned.....	157,550	(34,156)	123,392
Total.....	\$ 1,145,196	\$ 1,143,747	\$ 2,288,943

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General Fund Stabilization and Other Reserves

Rainy Day Reserve – The City maintains a “Rainy Day” or economic stabilization reserve under Charter Section 9.113.5, with separate accounts for the benefit of the City (the “City Reserve”) and the San Francisco Unified School District (the “School Reserve”). In any year when the City projects that total General Fund revenues for the upcoming budget year are going to be more than 5 percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the “excess revenues” in the Rainy Day Reserve. Seventy-five percent of the deposit is placed in the City Reserve and 25 percent is placed in the School Reserve. The total amount of money in the Rainy Day Reserve may not exceed 10 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 Five-Year Financial Plan covering fiscal years 2015-16 through 2019-20.

Budget Stabilization Reserve – The City sets aside as an additional reserve 75 percent of (1) real estate transfer taxes in excess of the average collected over the previous five years, (2) proceeds from the sale of land and capital assets, and (3) ending unassigned General Fund balances. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent, after using the amount legally available from the Rainy Day Reserve. The City, by a resolution of the Board of Supervisors adopted by a two-thirds vote, may temporarily suspend these provisions following a natural disaster that has caused the Mayor or the Governor to declare an emergency, or for any other purpose. The City does not expect to routinely spend money from the Budget Stabilization Reserve after evaluating its recent General Fund revenues trends and its Five-Year Financial Plan covering fiscal years 2015-16 through 2016-20.

Recreation and Parks Expenditure Savings Reserve – The City maintains a Recreation and Parks Expenditure Savings Reserve under Charter Section 16.107, which sets aside and maintains such an amount, together with any interest earned thereon, in the reserve account, and any amount unspent or uncommitted at the end of the fiscal year shall be carried forward to the next fiscal year and, subject to the budgetary and fiscal limitations of the Charter, shall be appropriated then or thereafter for capital and/or facility maintenance improvements to park and recreation facilities and other one-time expenditures of the Park and Recreation Department.

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. At June 30, 2015, encumbrances recorded in the General Fund and nonmajor governmental funds were \$137.6 million and \$215.0 million, respectively.

Restricted 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. At June 30, 2015, the government-wide statement of net position reported restricted net position of \$961.4 million in governmental activities and \$495.7 million in business-type activities, of which \$13.5 million and \$33.1 million are restricted by enabling legislation in governmental activities and business-type activities, respectively.

- **Unrestricted Net Position** – This category represents net position of the City, not restricted for any project or other purpose.

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 \$338.6 million of unrestricted net position of governmental activities, of which \$281.8 million reduced net investment in capital assets and \$56.8 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

Deficit Net Position/Fund Balances

The Senior Citizens’ Program Fund had a deficit of \$0.3 million as of June 30, 2015. The deficit relates to increases of unavailable revenue in various programs, which is expected to be collected beyond 90 days of the end of fiscal year 2015.

The Moscone Convention Center Fund had a \$33.8 million deficit as of June 30, 2015. The deficit will be covered as hotel tax revenues are realized.

The Central Shops and Telecommunications and Information Internal Service Funds had deficits in total net position of \$12.8 million and \$6.4 million, respectively, as of June 30, 2015 mainly due to the other postemployment benefits liability accrued per GASB Statement No. 45 and the net pension liability and pension-related deferred inflows per GASB Statement No. 68. The operating deficits are expected to be reduced in future years through anticipated rate increases or reductions in the operating expenses. The rates are reviewed and updated annually.

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the former Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the Successor Agency on February 1, 2012. At June 30, 2015, the Successor Agency has a deficit of \$425.4 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.

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(l) Interfund Transfers

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

- Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.
- Reimbursements for expenditures, initially made by one fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

(m) Refunding of Debt

In governmental and business-type activities, losses or gains from advance refundings are recorded as deferred outflows of resources and deferred inflows of resources, respectively, and amortized into expense.

(n) Pollution Remediation Obligations

Pollution remediation obligations are measured at their current value using a cost-accumulation approach, based on the pollution remediation outlays expected to be incurred to settle those obligations. Each obligation or obligating event is measured as the sum of probability-weighted amounts in a range of possible estimated amounts. Some estimates of ranges of possible cash flows may be limited to a few discrete scenarios or a single scenario, such as the amount specified in a contract for pollution remediation services.

(o) Cash Flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

(p) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SFERS and the California Public Employees' Retirement System ("CalPERS") plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB Statement No. 68) requires that the reported results pertain to liability and asset information within certain defined timeframes. Liabilities are based on the results of actuarial calculations performed as of June 30, 2013 and were rolled forward to June 30, 2014. For this report, the following timeframes are used for the City's pension plans:

Valuation Date (VD).....	June 30, 2013 updated to June 30, 2014	
Measurement Date (MD).....	June 30, 2014	
Measurement Period (MP).....	July 1, 2013 to June 30, 2014	

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(q) Estimates

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

(r) Reclassifications

Certain amounts, presented as 2013-14 Summarized Comparative Financial Information in the basic financial statements, have been reclassified for comparative purposes, to conform to the presentation in the 2014-15 basic financial statements.

(s) Effects of New Pronouncements

During fiscal year 2015, the City implemented the following accounting standards:

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, which is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Also, in November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

The provisions of the Statement Nos. 68 and 71 are effective for fiscal years beginning after June 15, 2014. While restatement of all prior periods was not practical because the actuarial information was not available, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2014. As of July 1, 2014, the City restated its net position to record beginning net pension liability and beginning deferred outflows of resources related to pensions as follows:

	Net Position, at Beginning of Year		
	As Previously Reported	Change in Accounting Principle	As Restated
Primary Government:			
Governmental Activities.....	\$ 2,341,631	\$ (1,879,347)	\$ 462,284
Business-Type Activities:			
San Francisco International Airport.....	266,757	(205,769)	60,988
San Francisco Water Enterprise.....	654,212	(155,107)	499,105
Hetch Hetchy Water and Power.....	513,550	(37,755)	475,795
Municipal Transportation Agency.....	2,686,060	(429,446)	2,256,614
General Hospital Medical Center.....	(50,570)	(311,922)	(362,492)
San Francisco Wastewater Enterprise.....	1,181,867	(69,147)	1,112,720
Port of San Francisco.....	371,289	(30,469)	340,820
Laguna Honda Hospital.....	394,695	(130,368)	264,327
Total Business-Type Activities.....	6,017,860	(1,369,983)	4,647,877
Total Primary Government.....	\$ 8,359,491	\$ (3,249,330)	\$ 5,110,161
Successor Agency Private-Purpose Trust Fund.....	\$ (439,637)	\$ (22,407)	\$ (462,044)

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In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The statement establishes accounting and financial reporting standards for governments that combine or dispose of their operations. The new standard is effective for periods beginning after December 15, 2013. Implementation of this statement did not have a significant impact on the City for the year ended June 30, 2015.

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

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The statement changes how fair value is measured and provides guidance for applying fair value and requires certain disclosures. The new standard is effective for periods beginning after June 15, 2015. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

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

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

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 76 establishes the hierarchy of GAAP for state and local governments. The new standard is effective for periods beginning after June 15, 2015. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

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

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(t) Restricted Assets

Certain proceeds of the City's governmental activities, enterprise and internal service funds bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds, and amounts restricted for future capital projects.

(u) Deferred Outflows and Inflows of Resources

The City records deferred outflows or inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements for consumption or acquisition of net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

In governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. The deferred inflows of resources balance consists as of June 30, 2015 of the following unavailable resources:

	General Fund	Other Governmental Funds	Total Governmental Funds
Grant and subvention revenues.....	\$ 50,406	\$ 43,747	\$ 94,153
Property taxes.....	45,790	9,589	55,379
Teeter Plan.....	37,303	-	37,303
California Senate Bill 90.....	6,999	-	6,999
Advances to Successor Agency.....	23,212	14,249	37,461
Franchise tax and other.....	3,028	-	3,028
Loans.....	3,560	73,140	76,700
Total.....	\$ 170,298	\$ 140,725	\$ 311,023

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.

In government-wide financial statements, deferred outflows and inflows of resources are recorded for unamortized losses and gains on refunding of debt, deferred outflows and inflows of resources related to pensions, deferred outflows of resources on derivative instruments, and deferred inflows of resources related to the SFMTA's leaseback transaction.

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(3) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(a) Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

Total fund balances of the City's governmental funds, \$2,288,943, differs from net position of governmental activities, \$1,287,214, 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.

Assets	Total Governmental Funds	Long-term Assets/Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Position Totals
Deposits and investments with City Treasury.....	\$ 2,600,562	\$ -	\$ 37,905	\$ -	\$ 2,638,467
Deposits and investments outside City Treasury.....	107,539	-	32,907	-	140,446
Receivables, net.....	65,313	-	-	-	65,313
Property taxes and penalties.....	278,396	-	-	-	278,396
Other local taxes.....	257,568	-	-	-	257,568
Federal and state grants and subventions.....	89,644	60	-	-	89,704
Charges for services.....	31,511	744	-	-	32,255
Interest and other.....	12,182	-	-	(12,182)	-
Due from other funds.....	3,926	-	-	-	3,926
Due from component unit.....	42,965	-	-	-	42,965
Advance to component unit.....	76,700	-	-	-	76,700
Loans receivable, net.....	8,763	4,865,138	9,572	-	4,874,710
Capital assets, net.....	8,763	1,173	-	-	9,936
Other assets.....	3,575,069	4,865,138	82,381	(12,182)	8,510,386
Total assets.....	6,510,386	4,865,138	121,812	(12,182)	6,510,386
Deferred outflows of resources	18,368	320,755	6,199	-	320,755
Unamortized loss on refunding of debt.....	18,368	320,755	6,199	-	320,755
Deferred outflows related to pensions.....	-	-	-	-	-
Deferred outflows of resources.....	-	339,123	7,370	-	346,493
Total deferred outflows of resources.....	18,368	339,123	7,370	-	346,493
Liabilities	307,741	8,580	1,429	-	316,321
Accounts payable.....	69,112	1,356	-	-	70,468
Accrued payroll.....	146,980	2,894	-	-	149,874
Accrued vacation and sick leave pay.....	221,741	1,943	-	-	223,684
Accrued workers' compensation.....	1,092,769	21,867	-	-	1,114,636
Other postemployment benefits obligation.....	157,660	11,068	-	-	168,728
Estimated claims payable.....	19,304	-	1,429	-	20,733
Accrued interest payable.....	20,320	-	189	(12,182)	8,327
Unearned grant and subvention revenues.....	400,660	2,467	110	-	403,437
Due to other funds.....	157,766	1,049,026	18,494	-	1,067,520
Due to other funds.....	-	2,768,105	2,652,816	-	3,142,399
Net pension liability.....	975,103	5,449,816	273,390	(12,182)	6,686,127
Bonds, loans, capital leases, and other payables.....	311,023	(311,023)	-	-	-
Total liabilities.....	311,023	555,946	16,569	-	883,538
Deferred inflows of resources	311,023	866,713	16,569	-	883,282
Unavailable revenues.....	-	256	-	-	256
Unamortized gain on refunding of debt.....	-	-	-	-	-
Deferred inflows related to pensions.....	-	866,713	16,569	-	883,282
Deferred inflows of resources.....	-	866,713	16,569	-	883,538
Total deferred inflows of resources.....	311,023	866,713	16,569	-	883,538
Fund balances/net position	\$ 2,288,943	\$ (801,501)	\$ (200,228)	\$ -	\$ 1,287,214
Total fund balances/net position.....	2,288,943	(801,501)	(200,228)	-	1,287,214

(1) When capital assets (land, infrastructure, buildings, equipment, and intangible assets) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets, net of accumulated depreciation, among the assets of the City as a whole.

Cost of capital assets..... \$ 6,309,991
 Accumulated depreciation..... (1,444,853)
\$ 4,865,138

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..... \$ (146,980)
 Accrued workers' compensation..... (221,741)
 Other postemployment benefits obligation..... (1,092,769)
 Estimated claims payable..... (157,660)
 Unearned revenue and other liabilities..... (2,467)
 Bonds, loans, capital leases, and other payables..... (2,768,105)
\$ (4,389,722)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due..... \$ (11,068)

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..... \$ 18,368
 Unamortized gain on refunding of debt..... (256)
\$ 18,112

Net pension liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.

Net pension liability..... \$(1,049,026)
 Deferred outflows of resources related to pensions..... 320,755
 Deferred inflows of resources related to pensions..... (866,713)
\$ (1,594,984)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures and thus are not included in fund balance.

Revenue not collected within 90 days of the end of the current fiscal period..... \$ 311,023

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(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	\$ (17,074)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(212,849)
Other assets	1,173
Unearned revenue and other liabilities	28,522
	<u>\$ (200,228)</u>

In addition, intrafund receivables and payables among various internal service funds of \$76 are eliminated.

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(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, \$351,964, differs from the change in net position for governmental activities, \$824,930, 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 ^(a)	Capital- related Items ^(c)	Internal Service Funds ^(b)	Long-term Debt Transactions ^(b)	Statement of Activities Totals
Revenues						
Property taxes	\$ 1,642,159	\$ (1,776)	\$ -	\$ -	\$ -	\$ 1,640,383
Business taxes	611,932	-	-	-	-	611,932
Sales and use tax	240,424	-	-	-	-	240,424
Hotel room tax	394,262	-	-	-	-	394,262
Utility user tax	98,979	-	-	-	-	98,979
Parking tax	87,209	-	-	-	-	87,209
Real property transfer tax	314,603	-	-	-	-	314,603
Other local taxes	50,182	-	-	-	-	50,182
Fees, permits and franchise	47,829	17	-	-	-	47,846
Interest on long-term debt	26,164	13	-	-	-	26,177
Interest and investment income	20,983	-	-	164	-	20,737
Rents and concessions	99,102	1,542	-	-	-	100,644
Intergovernmental:						
Federal	465,196	(11,507)	-	-	-	453,689
State	751,574	(35,591)	-	-	-	716,073
Other	15,774	20,972	-	-	-	36,746
Charges for services	359,044	2,285	-	-	-	361,329
Other	123,605	649	4,612	1,459	-	130,325
Total revenues	\$ 5,345,741	(23,306)	4,612	1,613	-	\$ 5,328,660
Expenditures/Expenses						
Current:						
Public protection	1,210,157	(54,294)	(41,117)	(6,546)	-	1,108,200
Public works, transportation and commerce	293,999	(13,459)	(8,730)	(1,356)	-	270,454
Human welfare and neighborhood development	1,095,419	(21,722)	411	(466)	-	1,073,652
Community health	753,832	(18,895)	103	-	-	735,040
Culture and recreation	352,852	(10,567)	37,522	(20,651)	(3,480)	355,676
General administration and finance	251,370	(23,527)	20,974	1,006	-	249,823
General City responsibilities	98,658	-	-	(4,081)	-	94,577
Debt's service:						
Principal retirement	200,497	-	-	-	(200,497)	-
Interest and other fiscal charges	121,371	-	-	5,022	(14,087)	112,296
Bond issuance costs	2,734	-	(412,746)	-	-	2734
Capital outlay	412,670	-	(412,746)	-	-	-
Total expenditures/expenses	\$ 4,793,629	(142,464)	(403,577)	(27,692)	(218,074)	\$ 4,002,452
Excess (deficiency) of revenues over (under) expenditures	\$ 552,112	119,158	4,081,89	28,675	218,074	\$ 1,328,208
Other financing sources (uses) change in net position						
Net transfers in (out)	(504,799)	-	-	8	-	(504,791)
Issuance of bonds and loans:						
Face value of bonds issued	449,530	-	-	-	(449,530)	-
Face value of loans issued	136,763	-	-	-	(136,763)	-
Premiums on issuance of bonds	69,833	-	-	-	(69,833)	-
Payments to refunded bond escrow agent	(389,228)	-	-	-	359,225	-
Other financing sources	7,790	-	3,515	(7,750)	-	3,515
Total other financing sources (uses)	(206,149)	-	3,515	(7,742)	(296,901)	(501,276)
Net change for the year	\$ 351,864	\$ 119,158	\$ 4,117,02	\$ 20,833	\$ (78,827)	\$ 824,930

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(3) Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as available revenues in the governmental funds.

Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities.

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.

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 the governmental funds.

Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net expenditures reported in the governmental funds.

(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.....	\$ 530,443
Depreciation expense.....	(116,706)
Loss on disposal of capital assets.....	(4)
Capital assets contributed from enterprise funds.....	3,513
Capital assets acquired by other revenues.....	4,612
Write off construction of progress.....	(10,156)
Difference.....	\$ 411,702

(5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.

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(6) Lease payments on the Moscone Convention Center (note 8) are reported as a culture and recreation expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liability in the statement of net position and do not result in an expense in the statement of activities. The City's capital lease obligation was reduced because principal payments were made to lessee.

Total property rent payments..... \$ 3,480

Bond premiums are a source of funds in the governmental funds when the bonds are issued, but are capitalized in the statement of net position. This is the amount of premiums capitalized during the current period..... \$ (69,833)

Repayment of bond principal and payment to escrow for refunding of debt are 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 and payments were made to escrow for refunded debt.

Principal payments made..... \$ 200,497
Payments to escrow for refunded debt..... 359,225
559,722

Bond and loan proceeds and capital leases are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and do not affect the statement of activities. Proceeds were received from:

General obligation bonds.....	(449,530)
Loans.....	(136,763)
	<u>(586,293)</u>
	\$ (26,571)

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, notes payable and capital leases, and (2) amortization of bond discounts, premiums and refunding losses and gains are not expended within the fund statements.

Decrease in accrued interest.....	\$ 114
Loss on refunding.....	13,204
Interest payment on capital lease obligations on the Moscone Convention Center.....	(395)
Amortization of bond premiums, discounts, refunding losses and gains.....	1,174
	<u>14,097</u>

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(4) BUDGETARY RESULTS RECONCILED TO RESULTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Budgetary Results Reconciliation

The budgetary process is based upon accounting for certain transactions on a basis other than generally accepted accounting principles (GAAP). The results of operations are presented in the budget-to-actual comparison statement in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

The major differences between the Budget basis "actual" and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (Note 6), revenues not meeting the 90-day availability period and other assets not available for budgetary appropriation.

The fund balance of the General Fund as of June 30, 2015 on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget basis.....	\$ 1,236,090
Unrealized Gains/(Losses) on Investments.....	1,141
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis.....	(37,303)
Cumulative Excess Health, Human Services, Franchise and Other Revenues	
Recognized on a Budget Basis.....	(50,406)
Deferred amounts on loan receivables.....	(23,212)
Pre-paid lease revenue.....	(5,900)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation).....	24,786
Fund Balance - GAAP basis.....	<u>\$ 1,145,196</u>

General Fund budget basis fund balance as of June 30, 2015 is composed of the following:

Not available for appropriations.....	
Restricted Fund Balance:	
Rainy Day - Economic Stabilization Reserve.....	\$ 71,904
Rainy Day - One Time Spending Account.....	43,065
Committed Fund Balance:	
Budget Stabilization Reserve.....	132,264
Recreation and Parks Expenditure Saving Reserve	10,551
Assigned Fund Balance:	
Assigned for Encumbrances.....	137,641
Assigned for Appropriation Carryforward.....	201,192
Assigned for Subsequent Years' Budgets:	
Budget Savings Incentive Program City-wide.....	33,839
Salaries and benefits costs (MOU).....	20,155
Subtotal.....	\$ 650,711

Available for appropriations:

Assigned for Litigation and Contingencies.....	131,970
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2015-16.....	180,179
Unassigned for General Reserve.....	62,579
Unassigned - Budget for use in fiscal year 2016-17.....	194,062
Unassigned - Available for future appropriations.....	16,569
Subtotal.....	<u>586,379</u>
Fund Balance, June 30, 2015 - Budget basis.....	<u>\$ 1,236,090</u>

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(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

Total City cash, deposits and investments, at fair value, are as follows:

	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	
Deposits and investments with			
City Treasury.....	\$ 2,638,467	\$ 2,440,334	\$ 1,182,106
Deposits and investments outside City Treasury.....			\$ 6,260,907
Restricted assets:			
Deposits and investments with			
City Treasury.....	107,539	16,355	20,726,724
Deposits and investments outside City Treasury.....			20,850,618
Invested securities lending collateral.....			
City Treasury.....	32,907	736,521	919,474
City Treasury.....			769,428
Total deposits & investments.....	<u>\$ 2,776,913</u>	<u>\$ 4,112,684</u>	<u>\$ 22,910,061</u>
Cash and deposits.....			\$ 341,865
Investments.....			29,459,793
Total deposits and investments.....			<u>\$ 29,801,638</u>

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units not covered by Federal Deposit Insurance Corporation insurance by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the type of collateral authorized in California Government Code, Section 53651 (a) through (l) 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, 2015, \$2.6 million of the business-type activities bank balances were exposed to custodial credit risk by not being insured or collateralized.

(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 investments. 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

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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 October 2014. 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	5 years	30%	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25% *	10%
Medium Term Notes	24 months *	25% *	10% *
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	\$75 million *
Money Market Funds	N/A	10% *	N/A
Supranationals (effective as of January 1, 2015)	5 years	5% *	None
State of California Local Agency Investment Fund (LAIF)	N/A	Statutory	None

* Represents restriction on which the City's investment policy is more restrictive than the California Government Code.

The Treasurer also holds for safekeeping bequests, trust funds, and lease deposits for other City departments. The bequests and trust funds consist of stocks and debentures. Those instruments are valued at par, cost, or fair value at the time of donation.

Other Funds

Other funds consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These funds are invested either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with grant agreements and may be restricted for the issuance of loans.

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Employees' Retirement System

The Retirement System's investments are invested pursuant to investment policy guidelines established by the Retirement Board. The objective of the policy is to maximize the expected return of the fund at an acceptable level of risk. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified.

Investment managers are required to diversify by issue, maturity, sector, coupon, and geography. Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from the Retirement Board. The Retirement System invests in securities with contractual cash flows, such as asset backed securities, commercial mortgage backed securities and collateralized mortgage obligations. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be affected by shifts in the market's perception of the issuers and changes in interest rates.

The investment policy permits investments in domestic and international debt and equity securities; real estate; securities lending; foreign currency contracts; derivative instruments; and alternative investments; which include investments in a variety of commingled partnership vehicles.

The Retirement Board's asset allocation policies for the year ended June 30, 2015 are as follows:

Asset Class	Target Allocation through	
	January 2015	February 2015
Global Equity	47.0%	40.0%
Fixed Income	25.0%	20.0%
Private Equity	16.0%	18.0%
Absolute Return/ Real Assets	12.0%	17.0%
Hedge Funds	0%	5.0%
	100.0%	100.0%

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines. In addition, the Retirement System's securities lending cash collateral separately managed account is authorized to use repurchase arrangements. As of June 30, 2015, \$503 million (or 50.2% of cash collateral) consisted of such agreements.

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(c) Investment Risks

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 market interest rates. Information about the sensitivity to the fair values of the City's investments to market interest rate fluctuations is provided by the following tables, which shows the distribution of the City's investments by maturity. The Retirement System's interest rate risk information is discussed in section (e) of this note.

	S & P Rating	Fair Value	Investment Maturities	
			Less than 1 year	1 to 5 years
Primary Government:				
Investments in City Treasury:				
Pooled Investments:				
U.S. Treasury Notes	AA+	\$ 477,867	\$ 175,906	\$ 301,961
U.S. Agencies - Coupon	NR-AA+	4,166,102	945,487	3,220,615
State/Local Agencies	A-AA+	318,651	186,858	131,793
Public time deposits	NR	960	960	-
Negotiable certificates of deposits	A+-AA-	724,755	274,920	449,835
Commercial paper	A-1	400,000	400,000	-
Corporate notes	A-AA+	613,894	179,531	434,363
Money market mutual funds	AAAm	285,115	285,115	-
Treasure Island Development Authority				
Investments with City Treasury	n/a	(9,825)	-	(9,825)
Subtotal pooled investments		6,977,519	2,448,777	4,528,742
Separately managed account:		1,995	-	1,995
SFRDA South Beach Harbor Revenue Bond	n/a	6,979,514	2,448,777	4,530,737
Subtotal investments in City Treasury		13,957,033	4,897,554	9,056,479
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	AA+	\$ 264,066	\$ 15,513	\$ 248,573
U.S. Agencies - Coupon	AA+	10,376	10,376	-
U.S. Agencies - Discount	AA+/A-1+	262,770	119,314	143,456
Certificates of Deposit	NR	334	334	-
Commercial Paper	A-1/A-1	17,602	17,602	-
Money Market Mutual Funds	AAAm	292,047	292,047	-
U.S. Treasury Money Market Funds	AAAm	83,043	83,043	-
Subtotal investments outside City Treasury		940,258	548,229	392,029
Employees' Retirement System investments		21,540,021	-	-
Total Primary Government		\$ 29,469,793		
Component Unit:				
Treasure Island Development Authority:				
Investments with City Treasury	n/a	9,825	-	9,825
Total Investments		\$ 29,469,793		

As of June 30, 2015, the investments in the City Treasury had a weighted average maturity of 536 days.

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Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to 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 a 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, 2015, the City Treasurer has investments in U.S. Agencies that represent 5% or more of the total Pool in the following:

Federal Farm Credit Bank	17.3%
Federal Home Loan Bank	14.8%
Federal Home Loan Mortgage Corporation	13.1%
Federal Agricultural Mortgage Corporation	9.1%
Federal National Mortgage Association	5.3%

In addition, the following major funds hold investments with trustees that represent 5% or more of the funds' investments outside City Treasury as of June 30, 2015:

Airport:	
Federal National Mortgage Association	16.5%
Federal Home Loan Bank	16.3%
Federal Home Loan Mortgage Corporation	9.3%
Water Enterprise:	
Federal Home Loan Mortgage Corporation	26.0%
Hetch Hetchy:	
Federal Home Loan Bank	13.1%

Airport's Forward Purchase and Sale Agreements

Objective and Terms - During fiscal year 2015, a portion of the Airport's debt service reserve fund was invested by the Senior Trustee in investments delivered in accordance with a ten-year Forward Purchase and Sale Agreement (FPSA) with Merrill Lynch Capital Services that was intended to produce guaranteed earnings at a rate of 4.349%. Under this FPSA, the Senior Trustee was required to

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purchase \$100.0 million of investment securities every six months, maturing on the following May 1 or November 1, as applicable, for the bond reserve fund. The final delivery of securities for purchase occurred on May 1, 2014. This agreement expired on November 1, 2014. Since the expiration of this agreement the Airport has not entered into any new FPSAs.

(d) **Treasurer's Pool**

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of June 30, 2015:

Statement of Net Position	
Net position held in trust for all pool participants.....	\$7,190,206
Equity of internal pool participants.....	\$6,648,189
Equity of separately managed account participant.....	2,001
Equity of external pool participants.....	540,016
Total equity.....	<u>\$7,190,206</u>

Statement of Changes in Net Position

Net position at July 1, 2014.....	\$6,740,783
Net change in investments by pool participants.....	449,423
Net position at June 30, 2015.....	<u>\$7,190,206</u>

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2015:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
U.S. Treasury Notes.....	0.61% - 2.00%	10/31/15 - 03/31/17	\$ 475,000	\$ 477,867
U.S. Agencies - Coupon.....	0.07% - 2.31%	07/22/15 - 06/02/20	4,153,548	4,166,102
State and local agencies.....	0.11% - 1.66%	07/01/15 - 10/01/19	316,375	318,651
Public time deposits.....	0.56% - 0.60%	03/21/16 - 06/29/16	960	960
Negotiable certificates of deposit.....	0.27% - 0.56%	12/01/15 - 09/25/17	725,000	724,755
Commercial paper.....	0.06% - 0.18%	07/01/15 - 07/01/15	400,000	400,000
Corporate notes.....	0.26% - 0.81%	07/02/15 - 02/16/17	612,729	613,894
Money market mutual funds.....	0.01% - 0.04%	07/01/15 - 07/01/15	285,115	285,115
			<u>\$ 6,988,727</u>	<u>6,987,344</u>
Segregated account				
Local agencies.....	3.50%	12/1/2016	\$ 1,995	1,995
Carrying amount of deposits with Treasurer.....			<u>200,867</u>	<u>200,867</u>
Total cash and investments with Treasurer.....				<u>\$ 7,190,206</u>

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(e) **Retirement System's Investments**

The Retirement System's investments as of June 30, 2015 are summarized as follows:

Fixed Income Investments:	\$ 656,185
Short-term bills and notes	1,074,204
U.S. Government and agencies	3,892,924
Other debt securities	4,967,128
Subtotal debt securities	<u>5,623,313</u>
Total fixed income investments	5,320,353
Equity securities:	5,134,177
Domestic	10,454,530
International	1,975,926
Real assets	2,484,299
Private equity	722
Foreign currency contracts, net	1,001,231
Investment in lending agent's short-term investment pool	<u>21,540,021</u>
Total Retirement System Investments	\$ 21,540,021

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, 2015:

Investment Type	Fair Value	Maturities				
		Less than 1 year	1-5 years	6-10 years	10+ years	
Asset Backed Securities	\$ 140,493	\$ 2,605	\$ 53,240	\$ 18,596	\$ 66,052	
Bank Loans	115,885	3,192	82,628	30,065	-	
Collateralized Bonds	969	-	-	969	-	
Commercial Mortgage-Backed	647,322	-	16,138	6,330	624,854	
Commingled and Other	405,805	386,657	574	54	8,520	
Fixed Income Funds	1,937,753	690,752	337,896	542,131	366,874	
Corporate Bonds	308,367	15,624	181,592	44,384	66,567	
Corporate Convertible Bonds	332,610	332,610	-	-	-	
Foreign Currencies and Cash Equivalents	335,438	317,253	9,861	6,338	1,986	
Government Agencies	517,527	16,256	323,157	119,474	58,640	
Government Bonds	333,078	108,159	5,260	12,698	206,961	
Government Mortgage	15,287	-	8,960	2,473	3,834	
Index Linked Government Bonds	5	5	-	-	-	
Mortgages	45,922	-	1,004	4,070	40,848	
Municipal/Provincial Bonds	162,844	-	1,894	7,318	153,632	
Non-Government Backed	18	19	(1)	-	-	
Collateralized Mortgage Obligations	323,267	323,267	-	-	-	
Options	723	(2)	785	(17)	(43)	
Short Term Investment Funds	-	-	-	-	-	
Swaps	-	-	-	-	-	
Total	<u>\$ 5,623,313</u>	<u>\$ 2,206,997</u>	<u>\$ 1,023,106</u>	<u>\$ 793,914</u>	<u>\$ 1,599,694</u>	

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Credit Risk

Fixed income investment managers typically are limited within their portfolios to no more than 5% exposure in any single security, with the exception of United States Treasury and government agency securities. The Retirement System's credit risk policy is embedded in the individual investment manager agreements as prescribed and approved by the Retirement Board.

Investments are classified and rated using the lower of (1) Standard & Poor's (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2015. Investments issued or explicitly guaranteed by the U.S. government of \$1.0 billion as of June 30, 2015 are not considered to have credit risk and are excluded from the table below.

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	\$ 212,642	4.6%
AA	148,151	3.2%
A	275,303	6.0%
BBB	792,990	17.2%
BB	346,598	7.5%
B	453,086	9.9%
CCC	83,710	1.8%
CC	2,245	0.0%
C	4,806	0.1%
D	4,033	0.1%
Not Rated	2,275,102	49.6%
Total	\$ 4,598,666	100.0%

The securities listed as "Not Rated" include short-term investment funds, government mortgage backed securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these securities, the "Not Rated" component of credit would be approximately 19.8% for 2015.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement System's investment in a single issuer. Guidelines for investment managers typically restrict a position to become no more than 5% (at fair value) of the investment manager's portfolio. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit.

As of June 30, 2015, the Retirement System had no investments of a single issuer that equaled or exceeded 5% of total Retirement System's investments or net position.

Custodial Credit Risk

The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2015, \$150.4 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.

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For fiscal year 2015, cash received as securities lending collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement System and held by the Retirement System's custodial bank. Securities in this separately managed account are not exposed to custodial credit risk.

Foreign Currency Risk

The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated cash, equity, fixed income, alternative investments, real estate, and swap investments. The Retirement System's investment policy allows international managers to enter into foreign exchange contracts, which are limited to hedging currency exposure existing in the portfolio.

The Retirement System's net exposures to foreign currency risk as of June 30, 2015 are as follows:

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Foreign Currency Contracts	Total
Australian dollar	\$ 544	\$ 103,354	\$ 8,020	\$ 13,894	\$ -	\$ 80,897	\$ 195,509
Brazilian real	714	30,390	29,679	-	-	(18,600)	42,183
British pound sterling	2,359	639,515	21,261	-	-	(139,036)	524,089
Canadian dollar	171	86,056	15,912	-	-	(30,971)	73,168
Chilean peso	-	1,148	-	-	-	140	1,288
Colombian peso	324	-	6,111	-	-	750	7,185
Czech koruna	-	1,579	-	-	-	-	1,579
Danish krone	401	45,755	-	-	-	(3,774)	42,382
Euro	6,890	899,087	111,446	195,466	383	(9,779)	1,200,483
Hong Kong dollar	(1,077)	242,251	-	-	-	3,444	244,618
Hungarian forint	243	372	615	-	-	183	1,413
Indian rupee	-	-	-	-	-	4,277	4,277
Indonesian rupiah	409	14,589	9,371	-	-	8,521	32,890
Japanese yen	12,571	675,019	-	-	16,215	-	693,805
Malaysian ringgit	16	19,398	7,587	-	-	2,637	29,638
Mexican peso	506	15,878	19,895	-	-	(6,239)	30,040
New Israeli shekel	(125)	8,130	-	-	-	3,927	11,932
New Romanian leu	1,288	64,514	-	-	-	(145)	65,657
New Taiwan dollar	12	3,610	11,991	-	-	(20,255)	(4,642)
New Zealand dollar	186	-	309	-	-	-	495
Nigerian naira	279	16,688	-	-	-	(30,421)	(13,454)
Norwegian krone	-	-	1,497	-	-	(326)	1,161
Peruvian nuevo sol	69	2,689	571	-	-	(130)	3,199
Philippine peso	16	1,069	11,231	-	-	1,331	13,647
Polish zloty	-	6,256	-	-	-	-	6,256
Qatar riyal	3	-	4,796	-	-	-	4,801
Russian ruble	163	21,740	-	-	-	62	27,319
Singapore dollar	1,306	29,314	9,244	-	-	309	40,173
South African rand	750	95,641	-	-	-	(1,006)	95,385
South Korean won	582	75,637	-	-	-	15,510	91,729
Swedish krona	886	234,990	153	-	-	(56,846)	179,183
Swiss franc	(188)	6,871	2,220	-	-	4,261	13,164
Thai baht	-	16,353	7,462	-	-	2,926	26,741
Turkish lira	-	10,161	-	-	-	-	10,161
United Arab Emirates dirham	-	-	-	-	-	(47,406)	(47,406)
Total	\$ 29,298	\$ 3,370,044	\$ 280,769	\$ 209,160	\$ 16,598	\$ (47,406)	\$ 3,959,463

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Derivative Instruments

As of June 30, 2015, 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, 2015:

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	(a) \$	749 \$	749
Other Contracts	(a)	(308)	(308)
Options			
Foreign Exchange Contracts	\$ (6,939)	18	33
Swaps			
Credit Contracts	121,400	837	659
Interest Rate Contracts	40,315	(114)	(47)
Rights/Warrants			
Equity Contracts	6,059 shares	5,333	(2,407)
Total		\$ 6,515	\$ (1,321)

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

All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. Rights and warrants are reported in equity securities. Foreign exchange contracts are reported in foreign currency contracts, which also include spot contracts that are not derivatives. All other derivative contracts are reported in other debt securities. All changes in fair value are reported as net appreciation (depreciation) in fair value of investments in the statements of changes in fiduciary net position.

Counterparty Credit Risk

The Retirement System is exposed to credit risk on derivative instruments that are in asset positions. As of June 30, 2015, the fair value of forward currency contracts (including foreign exchange contract options) to purchase and sell international currencies were \$1.7 million and \$0.9 million, respectively. The Retirement System's counterparties to these contracts held credit ratings of A or better on 98.3% of the positions as assigned by one or more of the major credit rating organizations (S&P, Moody's and/or Fitch) while 0.7% were not rated.

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, 2015, 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, 2015.

Derivative Type / Contracts	Fair Value	Maturities				
		Less than 1 year	1-5 years	6-10 years	10+ years	
Forwards						
Other Contracts	\$ (308)	\$ (308)	\$ -	\$ -	\$ -	
Swaps						
Credit Contracts	837	1	879	-	(43)	
Interest Rate Contracts	(114)	(2)	(94)	(18)	-	
Total	\$ 415	\$ (309)	\$ 785	\$ (18)	\$ (43)	

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The following table details the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2015:

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 11.61%, Pay Variable 1-Day BIDDOR	\$ 1,586	\$ (66)
Interest Rate Swap	Receive Fixed 12.055%, Pay Variable 1-Day BIDDOR	334	(5)
Interest Rate Swap	Receive Fixed 12.18%, Pay Variable 1-Day BIDDOR	370	(10)
Interest Rate Swap	Receive Fixed 12.23%, Pay Variable 1-Day BIDDOR	718	(8)
Interest Rate Swap	Receive Fixed 12.36%, Pay Variable 1-Day BIDDOR	4,754	(94)
Interest Rate Swap	Receive Fixed 12.85%, Pay Variable 1-Day BIDDOR	370	18
Interest Rate Swap	Receive Fixed 13.66%, Pay Variable 1-Day BIDDOR	3,899	(14)
Interest Rate Swap	Receive Fixed 13.775%, Pay Variable 1-Day BIDDOR	414	(1)
Interest Rate Swap	Receive Fixed 13.82%, Pay Variable 1-Day BIDDOR	2,447	(4)
Interest Rate Swap	Receive Fixed 2%, Pay Variable 6-Month WIBOR	160	(14)
Interest Rate Swap	Receive Fixed 2.12%, Pay Variable 6-Month THB	711	(15)
Interest Rate Swap	Receive Fixed 2.175%, Pay Variable 6-Month THB	669	3
Interest Rate Swap	Receive Fixed 2.58%, Pay Variable 6-Month THB	225	(2)
Interest Rate Swap	Receive Fixed 4.36%, Pay Variable 28-Day MIBR	2,396	9
Interest Rate Swap	Receive Fixed 5.32%, Pay Variable 3-Month CIBR	635	2
Interest Rate Swap	Receive Fixed 5.33%, Pay Variable 3-Month CIBR	642	(16)
Interest Rate Swap	Receive Fixed 5.61%, Pay Variable 28-Day MIBR	2,027	(4)
Interest Rate Swap	Receive Fixed 5.63%, Pay Variable 28-Day MIBR	1,185	(6)
Interest Rate Swap	Receive Fixed 5.84%, Pay Variable 28-Day MIBR	402	3
Interest Rate Swap	Receive Fixed 6.2%, Pay Variable 3-Month CIBR	162	1
Interest Rate Swap	Receive Fixed 6.22%, Pay Variable 3-Month CIBR	169	(1)
Interest Rate Swap	Receive Fixed 6.53%, Pay Variable 28-Day MIBR	76	1
Interest Rate Swap	Receive Fixed 7.25%, Pay Variable 3-Month JIBAR	140	(3)
Interest Rate Swap	Receive Fixed 7.5%, Pay Variable 3-Month JIBAR	1,046	(27)
Interest Rate Swap	Receive Fixed 8.5%, Pay Variable 3-Month JIBAR	453	4
Interest Rate Swap	Receive Variable 1-Day BIDDOR, Pay Fixed 10.91%	290	13
Interest Rate Swap	Receive Variable 1-Day BIDDOR, Pay Fixed 11.16%	99	7
Interest Rate Swap	Receive Variable 1-Day BIDDOR, Pay Fixed 11.32%	1,305	12
Interest Rate Swap	Receive Variable 1-Day BIDDOR, Pay Fixed 12.225%	857	9
Interest Rate Swap	Receive Variable 1-Day BIDDOR, Pay Fixed 12.255%	4,805	49
Interest Rate Swap	Receive Variable 1-Day BIDDOR, Pay Fixed 13.9%	5,968	2
Interest Rate Swap	Receive Variable 28-Day MIBR, Pay Fixed 5.66%	924	44
Interest Rate Swap	Receive Variable 3-Month CIBR, Pay Fixed 6.43%	77	(1)
Total Interest Rate Swaps		\$ 40,315	\$ (114)

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Foreign Currency Risk

At June 30, 2015, the Retirement System is exposed to foreign currency risk on its investments in forwards, rights, warrants, and swaps denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2015:

Currency	Forwards	Rights/ Warrants	Swaps	Total
Australian dollar	\$ 116	\$ -	\$ -	\$ 116
Brazilian real	565	-	(91)	474
British pound sterling	(4,585)	-	-	(4,585)
Canadian dollar	189	-	-	189
Chilean peso	(9)	-	-	(9)
Colombian peso	(18)	-	(14)	(32)
Euro	(60)	84	28	52
Hong Kong dollar	(517)	-	-	(517)
Hungarian forint	(3)	-	-	(3)
Indian rupee	5	-	-	5
Indonesian rupiah	96	-	-	96
Japanese yen	2,443	-	-	2,443
Malaysian ringgit	(26)	-	-	(26)
Mexican peso	219	-	47	266
New Israeli shekel	65	-	-	65
New Romanian leu	(1)	-	-	(1)
New Russian ruble	(1)	-	-	(1)
New Zealand dollar	1,505	-	-	1,505
Norwegian krone	152	-	-	152
Peruvian nuevo sol	8	-	-	8
Polish zloty	15	-	(14)	1
Singapore dollar	16	-	-	16
South African rand	83	-	(27)	56
Swedish krona	(257)	-	-	(257)
Swiss franc	374	-	-	374
Thai baht	(29)	-	(15)	(44)
Turkish lira	96	-	-	96
Total	\$ 441	\$ 84	\$ (86)	\$ 439

Contingent Features

At June 30, 2015, the Retirement System held no positions in derivatives containing contingent features.

Securities Lending

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Cash and non-cash collateral is pledged at 102% and 105% of the fair value of domestic securities and international securities lent, respectively. There are no restrictions on the number of securities that can be lent at one time. However, starting in the year ended June 30, 2009, the Retirement System engaged in a systematic reduction of the value of securities on loan with a target of no more than ten percent (10%) of total fund assets on loan at any time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the corresponding collateral.

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The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. The securities collateral is not reported on the statement of fiduciary net position. As of June 30, 2015, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of rights in the collateral should the borrower of securities fail financially. However, the lending agent indemnifies the Retirement System against all borrower defaults.

As of June 30, 2015, the Retirement System lent \$1.4 billion in securities and received collateral of \$1.0 billion and \$0.5 billion in cash and securities, respectively, from borrowers. The cash collateral is invested in a separately managed account by the lending agent using investment guidelines approved by the Retirement Board. Due to the decline in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at \$1.0 billion. The net unrealized loss of \$0.3 million is presented as part of the net appreciation (depreciation) in fair value of investments in the statement of changes in the fiduciary net position in the year in which the unrealized gains or losses occur. The Retirement System is exposed to investment risk including the possible loss of principal value in the separately managed securities lending account due to the fluctuation in the fair value of assets held in the account.

The Retirement System's securities lending transactions as of June 30, 2015, are summarized in the following table:

Security Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Securities Collateral
Securities Loaned for Cash Collateral			
International Corporate Fixed Income	\$ 14,704	\$ 15,559	\$ -
International Equities	40,737	43,286	-
International Government Fixed Income	1,952	2,110	-
U.S. Government Agencies	280	265	-
U.S. Corporate Fixed Income	187,469	191,358	-
U.S. Equities	443,154	452,384	-
U.S. Government Fixed Income	290,880	296,584	-
Securities Loaned with Non-Cash Collateral			
International Corporate Fixed Income	6,415	-	6,776
International Equities	352,198	-	381,165
International Government Fixed Income	13,491	-	13,965
U.S. Corporate Fixed Income	12,370	-	12,624
U.S. Equities	78,423	-	81,279
U.S. Government Fixed Income	240	-	244
Total	\$ 1,442,293	\$ 1,001,546	\$ 496,053

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The following table presents the segmented time distribution for the reinvested cash collateral account based upon the expected maturity (in years) as of June 30, 2015.

Investment Type	Fair Value	Maturities less than 1 year
Commercial Paper	\$ 51,095	\$ 51,095
Negotiable Certificates of Deposits	401,996	401,996
Repurchase Agreements	503,000	503,000
Short-Term Investment Funds	45,140	45,140
Total	\$ 1,001,231	\$ 1,001,231

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2015 is as follows:

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AA	\$ 185,124	16.5%
A	406,006	40.5%
Not Rated*	430,101	43.0%
Total	\$ 1,001,231	100.0%

* Repurchase agreements of \$430.0 million are not rated, but are held by counterparties with an S&P rating of A.

Investments in Real Assets Holdings

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the year ended June 30, 2015 are summarized as follows:

Investments:	
Beginning of the year	\$ 1,784,244
Capital investments	255,252
Equity in net earnings	40,378
Net appreciation in fair value	258,911
Capital distributions	(362,859)
End of the year	<u>\$ 1,975,926</u>

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(6) PROPERTY TAXES

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state law. Property taxes are levied on both real and personal property. Liens for secured property taxes attach on January 1st preceding the fiscal year for which taxes are levied. Secured property taxes are levied on the first business day of September and are payable in two equal installments: the first is due on November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property taxes that are delinquent and unpaid as of June 30th are subject to redemption penalties, costs, and interest when paid. If not paid at the end of five years, the secured property may be sold at public auction and the proceeds used to pay delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Unsecured personal property taxes do not represent a lien on real property. Those taxes are levied on January 1st and become delinquent with penalties after August 31st. Supplemental property tax assessments associated with changes in the assessed valuation due to transfer of ownership in property or upon completion of new construction are levied in two equal installments and have variable due dates based on the date the bill is mailed.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-1979, general property taxes are based either on a flat 1% rate applied to the adjusted 1975-1976 value of the property and new construction value added after the 1975-1976 valuation or on a flat 1% rate of the sales price of the property for changes in ownership. Taxable values on properties (exclusive of increases related to sales and construction) can rise or be adjusted at the lesser of 2% per year or the inflation rate as determined by the Board of Equalization's California Consumer Price Index.

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39, which set the approval threshold at 55% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately \$228 million for the year ended June 30, 2015.

Taxable valuation for the year ended June 30, 2015 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately \$166 billion, an increase of 4.4%. The secured tax rate was \$1,174.3 per \$100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of about \$0.65 for general government, about \$0.35 for other taxing entities including the San Francisco Unified School District, San Francisco Community College District, the Bay Area Air Quality Management District and the Bay Area Rapid Transit District, and also \$0.1743 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.80% and 6.42%, respectively, of the current year tax levy, for an average delinquency rate of 1.17% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100% of the secured property taxes billed but not yet collected by the City; in return, as the delinquent property taxes and associated penalties and interest are collected, the City retains such tax amounts in the Agency Fund. To the extent the Agency Fund balances are higher than required; transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve as of June 30, 2015 was \$20.6 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.

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(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases *	Decreases *	Balance June 30, 2015
Governmental Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 274,163	\$ 30,530	\$ (4,782)	\$ 299,911
Intangible assets.....	5,936	4,810	(2,030)	8,716
Construction in progress.....	1,178,392	470,386	(403,714)	1,245,064
Total capital assets, not being depreciated.....	1,458,491	505,726	(410,526)	1,553,691
Capital assets, being depreciated:				
Facilities and improvements.....	3,248,584	285,419	-	3,534,003
Machinery and equipment.....	400,830	33,519	(3,542)	430,807
Infrastructure.....	686,857	112,907	-	799,764
Intangible assets.....	44,299	4,112	-	48,411
Total capital assets, being depreciated.....	4,380,570	435,957	(3,542)	4,812,985
Less accumulated depreciation for:				
Facilities and improvements.....	922,270	67,617	-	989,887
Machinery and equipment.....	338,438	19,705	(3,538)	354,605
Infrastructure.....	111,111	29,151	-	140,262
Intangible assets.....	4,528	2,684	-	7,212
Total accumulated depreciation.....	1,376,347	119,157	(3,538)	1,491,966
Total capital assets, being depreciated, net.....	3,004,223	316,800	(4)	3,321,019
Governmental activities capital assets, net.....	\$ 4,462,714	\$ 822,526	\$ (410,530)	\$ 4,874,710
Business-Type Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 217,518	\$ -	\$ (77)	\$ 217,441
Intangible assets.....	12,043	-	-	12,043
Construction in progress.....	3,362,438	1,224,667	(1,482,939)	3,104,166
Total capital assets, not being depreciated.....	3,591,999	1,224,667	(1,483,016)	3,333,650
Capital assets, being depreciated:				
Facilities and improvements.....	13,751,792	1,377,581	(14,445)	15,114,928
Machinery and equipment.....	2,152,966	172,249	(36,173)	2,289,042
Infrastructure.....	1,254,473	16,151	-	1,270,624
Property held under lease.....	697	-	-	697
Intangible assets.....	210,312	4,498	-	214,810
Total capital assets, being depreciated.....	17,370,240	1,570,479	(50,618)	18,890,101
Less accumulated depreciation for:				
Facilities and improvements.....	5,042,869	363,700	(8,219)	5,398,350
Machinery and equipment.....	1,256,458	140,692	(35,087)	1,362,063
Infrastructure.....	514,745	36,639	-	551,384
Property held under lease.....	697	-	-	697
Intangible assets.....	149,981	11,070	-	161,051
Total accumulated depreciation.....	6,964,750	552,101	(43,306)	7,473,545
Total capital assets, being depreciated, net.....	10,405,490	1,018,378	(7,312)	11,416,568
Business-Type activities capital assets, net.....	\$ 13,997,489	\$ 2,243,045	\$ (1,490,328)	\$ 14,750,206

* The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public protection.....	\$ 18,037
Public works transportation and commerce.....	27,781
Human welfare and neighborhood development.....	575
Community health.....	1,230
Culture and recreation.....	47,790
General administration and finance.....	21,293
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis.....	2,451
Total depreciation expense - governmental activities.....	\$ 119,157
Business-Type Activities:	
Airport.....	\$ 216,146
Water.....	95,384
Power.....	17,887
Transportation.....	126,756
Hospitals.....	22,887
Wastewater.....	50,254
Port.....	22,787
Total depreciation expense - business-type activities.....	\$ 552,101

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 structures of the Port, which totaled \$3.55 billion as of June 30, 2015. 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, 2015. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled \$6.8 million as of June 30, 2015.

In fiscal year 2014-15, the Airport had write-offs and loss on disposal in the amount of \$8.1 million primarily due to disposal and write-off of immaterial items that should have been expensed in prior years. During fiscal year ended June 30, 2015, the Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed \$2.7 million, \$5.1 million, and \$1.5 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

During the fiscal year ended June 30, 2015, the City's enterprise funds incurred total interest expense and interest income of approximately \$490.7 million and \$26.0 million, respectively. Of these amounts, interest expense of approximately \$100.0 million was capitalized.

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(8) BONDS, LOANS, CAPITAL LEASES AND OTHER PAYABLES

Changes in Short-Term Obligations

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2015, are as follows:

Type of Obligation	July 1, 2014	Additional Obligation	Current Maturities	June 30, 2015
Governmental Activities:				
Commercial paper				
San Francisco County Transportation Authority.....	\$ 135,000	\$ -	\$ (135,000)	\$ -
Multiple Capital Projects.....	40,760	563,306	(466,300)	157,766
Governmental activities short-term obligations.....	<u>\$ 175,760</u>	<u>\$ 563,306</u>	<u>\$ (601,300)</u>	<u>\$ 157,766</u>
Business-Type Activities:				
Commercial paper				
San Francisco International Airport.....	\$ 249,000	\$ 40,000	\$ (249,000)	\$ 40,000
San Francisco Water Enterprise.....	186,000	186,000	(186,000)	186,000
San Francisco General Hospital Medical Center.....	-	-	3,761	3,761
San Francisco Wastewater Enterprise.....	-	100,000	-	100,000
Business-type activities short-term obligations.....	<u>\$ 435,000</u>	<u>\$ 326,761</u>	<u>\$ (435,000)</u>	<u>\$ 326,761</u>

San Francisco County Transportation Authority

In June 2015, the Transportation Authority substituted its \$200.0 million commercial paper notes (Limited Tax Bonds), Series A and B with a \$140.0 million tax-exempt revolving credit loan agreement (Revolving Loan). In the same month, Moody's raised the Transportation Authority's rating to "Aa1" from "Aa2" and S&P's and Fitch reaffirmed issuer ratings for the Transportation Authority with "AA-" and "AA-" respectively. The commercial paper notes provided a source of financing for the Transportation Authority's voter-approved Proposition K Expenditure Plan. The Revolving Loan expires on June 8, 2018 and has a rate of interest equal to the sum of 70% of 1-month London Interbank Offered Rate (LIBOR) plus 0.30%. The interest payments are due the first business day of each month and the outstanding principal payment is required to be paid at the end of the agreement June 8, 2018. The Revolving Loan will be repaid from sales tax revenues and is secured by a first lien gross pledge of the Transportation Authority's sales tax. As of June 30, 2015, \$134.7 million of the Revolving Loan was outstanding, with an interest rate of 0.432%.

City and County of San Francisco Commercial Paper Program

The City launched its commercial paper (CP) program to pay for project costs in connection with the acquisition, improvement, renovation, and construction of real property and the acquisition of capital equipment and vehicles (Resolution No. 85-09). Pursuant to Resolution No. 85-09, approved in March 2009, the Board of Supervisors established a \$150.0 million commercial paper program. Pursuant to Resolution 247-13, the authorization of the commercial paper program was increased to \$250.0 million from \$150 million. The City currently has letters of credit supporting a \$200.0 million program. The City has the option to upsize the program from its current size of \$200.0 million to \$250.0 million, when and as necessary.

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The CP is an alternative form of short-term (or interim) financing for capital projects that permits the City to pay project costs as project expenditures are incurred. The CP notes are issued and short-term debt is incurred only when needed to pay project costs as they are incurred. The CP has a fixed maturity date from one to 270 days and generally matures in 270 days. The CP notes are supported by a LOC issued by JP Morgan and U.S. Bank N.A. with a LOC fee of 0.50% and 0.45%, respectively, and a LOC issued by State Street Bank with a LOC fee of 0.50%. The JP Morgan and U.S. Bank N.A. LOC is scheduled to expire in June 2016 and the State Street Bank LOC is scheduled to expire in February 2019.

In fiscal year 2015, the City retired \$466.3 million and issued \$587.1 million CP to provide interim financing for the acquisition and improvement of various approved capital projects: the purchase of capital equipment for the Department of Public Works and the San Francisco General Hospital, rebuilding of severely distressed public housing sites while increasing affordable housing and ownership opportunities and improving the quality of life for existing residents and the surrounding communities (HOPE SF), War Memorial Veterans Building seismic retrofit, Moscone Center expansion, and 900 Inness Avenue property acquisition. As of June 30, 2015, the outstanding principal amount of tax exempt and taxable CP was \$118.1 million and \$43.4 million, respectively. The tax exempt and taxable CP bear interest rates ranging from 0.06% to 0.08% and 0.12% to 0.13%, respectively.

San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, (the Note Resolution) as amended and supplemented, authorizing the issuance of subordinate commercial paper notes (CP) in an aggregate principal amount not to exceed the lesser of \$400.0 million or the stated amount of the letter(s) of credit securing the CP. The Airport issues CP in three series that are subdivided into nine subseries according to tax status and that are secured by three direct-pay letters of credit (LOC). Two \$100.0 million direct-pay LOC are issued by State Street Bank and Trust Company and Wells Fargo Bank, National Association, with expiration dates of May 2, 2019, and June 17, 2016, respectively. The third LOC issued by Royal Bank of Canada in the amount of \$200.0 million expires May 19, 2017. Each of these LOC supports separate subseries of CP and permits the Airport to issue CP up to a combined maximum principal amount of \$400.0 million as of June 30, 2015.

In addition to the applicable LOC, the CP notes are further secured by a pledge of the Net Revenues of the Airport, subject to the prior payment of the Airports' Second Series Revenue Bonds (the Senior Bonds) outstanding from time to time under Resolution No. 91-0210, adopted by the Airport on December 3, 1991, as amended and supplemented (the Senior Bond Resolution).

Net Revenues are generally defined in the Note Resolution as all revenues earned by the Airport from or with respect to its possession, management, supervision, operation and control of the Airport (not including certain specified amounts), 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 and interest on the CP notes is secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts provided in the Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on parity with any other bonds or other obligations from time to time outstanding under the Note Resolution. As of June 30, 2015, there were no obligations other than the CP notes outstanding under the Note Resolution.

During fiscal year 2015, the Airport issued \$40.0 million of new money CP (AMT) to fund capital improvement projects. As of June 30, 2015, the interest rates on taxable AMT CP was 0.08% to 0.09%.

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San Francisco Water Enterprise

The San Francisco Public Utilities Commission and the Board of Supervisors have authorized the issuance of up to \$500.0 million in CP pursuant to the voter-approved 2002 Proposition E. Prior to June 2014, the \$500.0 million CP authorization was comprised of \$250.0 million pursuant to the voter-approved 2002 Proposition A, and \$250.0 million pursuant to the voter-approved Proposition E. As of June 30, 2015, \$186.0 million in CP was outstanding under Proposition E. The CP interest rates ranged from 0.1% to 0.2%.

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.

San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to \$500.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Wastewater Enterprise had \$100.0 million CP outstanding as of June 30, 2015.

San Francisco Municipal Transportation Agency

In June 2013, pursuant to the City Charter Section 8A.102 (b) 13, the SFMTA Board of Directors authorized the issuance of CP notes in an aggregate principal amount not to exceed \$100.0 million. In July 2013, the Board of Supervisors concurred with the issuance. The CP is secured by an irrevocable letter of credit from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and a letter of credit fee of 0.535%. The letter of credit will cover the principal as well as the interest accrued on the 270 days prior to the maturity date. The CP program is jointly administered by the Office of Public Finance (OPF) and SFMTA. OPF will be initiating the issuance of CP with the dealers and reporting on the CP program. SFMTA will be requesting drawdowns based on cash flow needs and expenditures schedules. No CP notes have been drawn or outstanding as of June 30, 2015.

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Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2015:

Type of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS ^(a):			
Earthquake safety and emergency response	2035	3.00% - 5.00%	\$ 386,505
Parks and playgrounds	2033	2.00% - 6.26%	146,950
Road repaving and street safety	2033	2.00% - 5.00%	139,505
San Francisco General Hospital	2033	3.25% - 6.26%	602,615
Seismic safety loan program	2031	3.36% - 5.83%	24,010
Refunding	2030	3.00% - 5.00%	581,525
General obligation bonds			<u>1,881,110</u>
LEASE REVENUE BONDS:			
San Francisco Finance Corporation ^{(b), (d) & (f)}	2034	0.065% - 5.75% *	214,850
CERTIFICATES OF PARTICIPATION ^{(c) & (e)}:			
Certificates of participation	2041	2.50% - 5.00%	487,215
LOANS PAYABLE:			
Revolving Loan ^(c)	2018	0.432%	134,664
Loans ^{(b), (d), & (f)}	2043	2.00% - 5.74%	29,173
Loans payable			<u>163,837</u>
Governmental activities total long-term obligations			<u>\$ 2,747,012</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, 2015 for Series 2008-1 & 2 was 0.06% and 0.07%, respectively.

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.

Internal Service Funds serve primarily the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the above amounts.

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BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds *	2044	1.92% - 6.00%*	\$ 4,486,390
San Francisco Water Enterprise:			
Revenue bonds	2051	1.80% - 6.95%	4,105,685
Certificates of participation	2042	2.00% - 6.49%	113,605
Accreted interest	2019	-	5,471
Hetch Hetchy Water and Power:			
Clean renewable energy bonds	2046	0.00% - 5.00%	55,445
Certificates of participation	2042	2.00% - 6.49%	15,466
Municipal Transportation Agency:			
Revenue bonds	2044	3.00% - 5.00%	183,175
San Francisco General Hospital Medical Center:			
Certificates of participation	2026	5.55%	18,415
Capital leases	2017	2.41% - 2.66%	1,161
San Francisco Wastewater Enterprise:			
Revenue bonds	2043	1.00% - 5.82%	700,850
Certificates of participation	2042	2.00% - 6.49%	30,039
Port of San Francisco:			
Revenue bonds	2044	0.95% - 7.408%	55,350
Certificates of participation	2043	4.00% - 5.25%	34,355
Loans payable	2029	4.50%	2,369
Laguna Honda Hospital:			
Certificates of participation	2031	4.00% - 5.25%	137,585
Capital leases	2017	3.00% - 4.00%	13
Business-type activities total long-term obligations			<u>\$ 9,965,274</u>

* Includes Second Series Revenue Bonds Issue 36 A, B & C, 37C and 2010A, which were issued as variable rate bonds in a weekly mode. For the fiscal year ended June 30, 2015, the average interest rates on Issue 36A, 36B, 36C and 37C were 0.04%, 0.03%, 0.04% and 0.04%, respectively, for Issue 2010A-1, 2010A-2 and 2010A-3 rates were 0.05%, 0.04% and 0.04%, respectively.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in the respective enterprise funds.

Debt Compliance

The City believes it is in compliance with all significant limitations and restrictions contained in the limitations and restrictions in the various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2015, the City's debt limit (3% of valuation subject to taxation) was \$5.48 billion. The total amount of debt applicable to the debt limit was \$2.10 billion. The resulting legal debt margin was \$3.38 billion.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the

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earnings from the investment of tax-exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each general obligation bond and certificates of participation issued and the Finance Corporation has evaluated each lease revenue bonds. The City and the Finance Corporation do not have rebuttable arbitrage liability as of June 30, 2015. Each enterprise fund has performed a similar analysis of its debt, which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the enterprise funds has been recorded as a liability in the respective fund.

San Francisco Sustainable Financing

The City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) was formed in accordance with Ordinance 16-10 to implement the "GreenFinanceSF" program to provide financing for renewable energy, energy efficiency and water efficiency improvements on private or public property in the City. Under the program, the Special District issues bonded indebtedness for the improvement area, payable solely from special taxes levied and collected on property in the improvement area, and are not considered obligations of the City. Assessments collected for the repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the leasehold interest on the parcels within the Special District No. 2009-1.

In October 2012, the City issued \$1.4 million Special Tax Bonds Series A for the Area No.1 and in November 2014, the City issued \$1.8 million Special Tax Bonds Series A for the Area No. 2 of the Special District. As of June 30, 2015, the amount outstanding on the Area No. 1 and No. 2 bonds was \$1.3 million and \$1.8 million, respectively.

Assessment District

In June 1996, the City issued \$1.0 million of Limited Obligation Improvement Bonds for the Bayshore-Hester Assessment District No. 95-1. These bonds were issued pursuant to the Improvement Bond Act of 1915 to finance the construction of a new public right-of-way and are not considered obligation of the City. The bonds mature from September 1998 through September 2026 bearing interest rates ranging from 6.0% to 6.85%. Assessments collected for repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the lots and parcels assessed within the Bayshore-Hester Assessment District and do not constitute a personal indebtedness of the respective owners of such lots and parcels. As of June 30, 2015, the principal amount of bonds outstanding was \$0.6 million.

Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency, has issued various mortgage revenue bonds and community district facility bonds for the financing of multifamily rental housing, below-market rate mortgage for first time homebuyers in order to facilitate affordable housing and the construction and rehabilitation in the City. These obligations have been issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt and are secured by the related mortgage indebtedness and special assessment taxes and are not considered obligations of the City. As of June 30, 2015, the total obligation outstanding was \$625.0 million.

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Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2015, are as follows:

	July 1, 2014	Additional Obligation, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2015	Amounts Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds.....	\$ 1,938,085	\$ 449,530	\$ (506,506)	\$ 1,881,110	\$ 123,173
Lease revenue bonds.....	241,290	-	(26,440)	214,850	18,795
Certificates of participation.....	521,485	-	(34,270)	487,215	35,705
Issuance premiums/discounts:					
Add: unamortized premiums.....	195,004	69,833	(25,622)	239,215	-
Less: unamortized discounts.....	(1,659)	-	65	(1,594)	-
Total bonds payable, net.....	2,894,205	519,363	(592,772)	2,820,796	177,673
Loans.....	27,441	136,763	(367)	163,837	778
Capital leases.....	3,085	395	(3,480)	-	-
Accrued vacation and sick leave pay.....	148,280	110,200	(108,606)	149,874	90,405
Accrued workers' compensation.....	222,747	44,141	(43,204)	223,684	38,046
Estimated claims payable.....	155,851	43,136	(41,327)	157,660	52,787
Governmental activities long-term obligations	\$ 3,451,609	\$ 853,998	\$ (789,756)	\$ 3,515,851	\$ 359,699
Business-Type Activities:					
Bonds payable:					
Revenue bonds.....	\$ 9,295,910	\$ 973,815	\$ (718,375)	\$ 9,551,350	\$ 253,540
Clean renewable energy bonds.....	17,211	39,555	(1,321)	55,445	1,332
Certificates of participation.....	360,358	-	(10,893)	349,465	11,308
Issuance premiums/discounts:					
Add: unamortized premiums.....	361,438	124,897	(46,221)	440,114	-
Less: unamortized discounts.....	(632)	-	31	(601)	-
Total bonds payable, net.....	10,034,285	1,138,267	(776,779)	10,395,773	268,180
Accrued interest payable.....	5,107	364	-	5,471	-
Notes, loans and other payables.....	2,489	-	(120)	2,369	125
Capital leases.....	2,512	-	(1,338)	1,174	910
Accrued vacation and sick leave pay.....	101,692	54,935	(51,965)	104,662	65,754
Accrued workers' compensation.....	161,129	50,256	(39,495)	171,890	28,188
Estimated claims payable.....	91,208	44,698	(28,736)	107,170	50,390
Business-type activities long-term obligations	\$ 10,398,422	\$ 1,288,520	\$ (698,433)	\$ 10,788,509	\$ 411,547

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

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 June 30, 2015
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Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2015 for governmental and business-type activities are as follows:

Fiscal Year Ending	General Obligation Bonds			Lease Revenue Bonds			Other Long-Term Obligations			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 123,173	\$ 86,766	\$ 209,939	\$ 18,795	\$ 5,488	\$ 24,283	\$ 36,483	\$ 178,451	\$ 115,061	\$ 174,534	\$ 289,595	\$ 464,129
2017	108,828	75,766	184,594	12,956	4,238	17,194	25,812	164,782	100,234	190,016	314,248	
2018	108,071	70,557	178,628	12,995	4,287	17,282	25,800	151,826	92,601	174,427	297,028	
2019	106,636	65,251	171,887	12,992	3,992	16,984	25,776	144,836	85,659	170,495	286,154	
2020	549,837	252,548	802,385	68,690	15,234	83,924	136,616	670,769	337,520	1,008,289	1,345,809	
2021-2025	583,986	118,247	702,233	75,140	6,678	81,818	97,223	603,045	332,000	935,045	1,267,045	
2026-2030	208,548	17,627	226,175	8,615	1,267	9,882	97,894	48,609	73,712	176,503	150,394	
2031-2035	-	-	-	-	-	-	102,533	25,145	319,696	44,039	1,000,000	
2036-2040	-	-	-	-	-	-	45,355	8,606	45,355	8,606	54,961	
2041-2045	-	-	-	-	-	-	14,974	1,102	14,974	1,102	16,076	
Total	\$ 1,881,110	\$ 788,044	\$ 2,669,154	\$ 214,850	\$ 46,497	\$ 261,347	\$ 651,052	\$ 252,649	\$ 903,701	\$ 1,067,190	\$ 2,010,891	

Fiscal Year Ending	Revenue Bonds			Clean Renewable Energy Bonds/ Certificates of Participation			Other Long-Term Obligations			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 253,540	\$ 478,945	\$ 732,485	\$ 12,640	\$ 21,704	\$ 34,344	\$ 1,035	\$ 274	\$ 1,309	\$ 28,715	\$ 500,924	\$ 732,744
2017	256,225	486,422	742,647	14,303	25,259	39,562	1,144	293,728	294,872	295,972	475,941	770,913
2018	222,180	441,569	663,749	14,894	2,529	17,423	137	95	233	207,726	475,941	
2019	322,180	441,759	763,939	15,145	19,807	34,952	89	82	171	337,468	461,475	
2020	393,945	425,759	819,704	15,837	19,177	35,014	149	82	231	409,531	445,018	
2021-2025	1,948,400	1,843,369	3,791,769	88,604	54,011	142,615	853	306	1,159	2,037,857	1,897,686	
2026-2030	1,823,425	1,357,230	3,180,655	92,971	64,122	157,093	831	95	926	1,917,227	1,421,447	
2031-2035	1,472,195	932,631	2,404,826	57,725	42,883	100,608	-	-	1,529,920	975,514	1,505,434	
2036-2040	1,606,320	538,541	2,144,861	56,801	28,441	85,242	-	-	1,663,121	566,882	2,229,743	
2041-2045	1,046,310	180,577	1,226,887	35,030	12,205	47,235	-	-	1,081,340	172,782	1,254,122	
2046-2050	14,100	28,606	42,706	2,460	949	3,409	-	-	16,635	30,735	47,370	
Total	\$ 9,551,350	\$ 7,130,375	\$ 16,681,725	\$ 494,910	\$ 305,200	\$ 799,110	\$ 3,543	\$ 1,095	\$ 4,638	\$ 9,559,803	\$ 7,436,660	\$ 17,000,000

- The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.
- The interest is before federal subsidy for the General Obligation Bonds Series 2010 C and Series 2010 D, approximately \$35.6 million and \$7.3 million, respectively, through the year ending 2030. The payment of subsidy by the IRS in fiscal year 2015 was reduced by 7.3% due to federal sequestration. Future interest subsidy may be reduced as well.
- Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2 which bear interest at a weekly rate. An assumed rate of 0.065% together with liquidity fee of 0.710% and remarketing fee of 0.0725% were used to project the interest rate payment in this table.
- The San Francisco County Transportation Authority variable interest rate revolving loan expires on June 8, 2018 and has a rate of interest equal to the sum of 70% of the 1-month LIBOR plus 0.30%. An assumed rate of 0.432% was used to project the interest rate payment in this table.
- Interest is presented assuming the letters of credit securing the Airport's outstanding variable rate bonds had to be drawn upon to pay such bonds and the amount drawn had to be repaid by the Airport pursuant to the terms of the related agreements with banks providing such letters of credit. If not, the total interest through fiscal year 2044 would be \$143.0 million less.
- The interest is before federal subsidy for the Water, Enterprise, Wastewater and Hetch Hetchy Water and Power of \$3.85 billion, \$536.6 million and \$57.9 million through the year ending 2051 respectively. The payment of subsidy by the IRS in fiscal year 2015 was reduced by 7.3% due to federal sequestration. Future interest subsidy may be reduced as well.

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Governmental Activities Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the fiscal year ended June 30, 2015, are as follows:

Governmental Activities - General Obligation Bonds	
Authorized and unissued as of June 30, 2014	\$ 940,720
Increase in authorization this fiscal year	
Transportation and Road Improvement	500,000
Bonds issued:	
Series 2014C Earthquake and Emergency Response	(54,950)
Series 2014D Earthquake and Emergency Response	(100,670)
Net authorized and unissued as of June 30, 2015	\$ 1,285,100

The increase in authorized amount of \$500.0 million of 2014 Transportation and Road Improvement General Obligation Bonds was approved by at least two-third votes on Proposition A at an election held on November 4, 2014. The bonds will be used to provide funds to improve and repair streets, sidewalks, and street structures.

In October 2014, the City issued Earthquake Safety and Emergency Response General Obligation Bonds Series 2014C in the amount of \$55.0 million and Series 2014D for \$100.7 million to finance the improvement, retrofitting, rehabilitation and completion of earthquake safety and emergency responsiveness facilities and infrastructure and to pay certain costs related to the issuance of the 2014C and 2014D bonds. Both series bear interest rates ranging from 2.0% to 5.0% and mature from June 2015 through June 2034.

The debt service payments are funded through ad valorem taxes on property.

Bond Refunding

In February 2015, the City issued the General Obligation Bonds Series 2015-R1 (the Bonds) in the amount of \$293.9 million with interest rates ranging 2.0% to 5.0% and principal maturing from June 2015 through June 2030 to refund all or a portion of the outstanding general obligation bonds as follows:

Description of Bonds	General Obligation Refunding Bonds, Series 2015-R1		Redemption Price	Redemption Date
	Amount Refunded	Interest Rate		
Refunding Series 2006-R1	\$ 45,725	4.00% - 5.00%	100%	2/25/2015
Refunding Series 2006-R2	25,650	3.50% - 4.00%	100%	2/25/2015
2000 Branch Library Facilities, Series 2008A	22,875	4.00% - 4.50%	100%	6/15/2015
2008 Clean and Safe Neighborhood Parks, Series 2008B	31,645	4.00% - 4.50%	100%	6/15/2015
Refunding Series 2008-R3 (Laguna Honda Hospital)	118,130	4.625% - 5.00%	100%	6/15/2015
2008 SF General Hospital, Series 2009A	73,940	5.00% - 5.25%	100%	6/15/2019
2010 Earthquake Safety Series, 2010E	22,680	5.00%	100%	6/15/2020
Total	\$ 340,845			

On the date of delivery of the Bonds, a portion of the proceeds of the Bonds in the amount of \$287.9 million plus funds transferred from the debt service fund related to the refunded bonds in the amount of \$3.1 million were deposited with U.S. Bank National Association, as escrow agent. The funds deposited and held with the escrow agent are sufficient, together with investment earnings thereon, to

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pay principal and interest on the Series 2009A and Series 2010E to be redeemed on the respective redemption dates specified on the table above. The amounts deposited were invested in United States Treasury securities. Upon such deposit, all obligations of the City with respect to the Advance Refunded Bonds were legally released except for the City's obligation to pay the principal and interest on the Advance Refunded Bonds from such funds deposited with the Escrow Agent. Accordingly, the liability for the refunded bonds has been removed from the statement of net position.

The refunding resulted in the recognition of accounting loss of \$13.2 million for the year ended June 30, 2015. The City in effect reduced its aggregate debt service payments by \$54.5 million and obtained a net present value savings of \$47.0 million or 13.79% of the refunded bonds.

Certificates of Participation

At June 30, 2015, the City has a total of \$487.2 million of certificates of participation payable by pledged revenues from the base rental payments payable by the City. Total debt service payments remaining on the certificates of participation are \$716.2 million payable through September 1, 2040. For the fiscal year ended June 30, 2015, principal and interest paid by the City totaled \$34.3 million and \$22.8 million, respectively.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2015 were as follows:

Authorized and unissued as of June 30, 2014.....	\$ 151,215
Increase in authorization in this fiscal year.....	
Current year annual increases in Finance Corporation's equipment program.....	3,072
Current year maturities in Finance Corporation's equipment program.....	10,145
Net authorized and unissued as of June 30, 2015.....	<u>\$ 164,432</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 issue costs, fund withheld pursuant to reserve fund requirement, and amount designated for capitalized interest is recorded as unearned revenues in the internal service fund until such time as it is used for its intended purpose. The unearned amounts are eliminated in the governmental activities statement of net position.

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to a Master Lease Agreement between the City and the San Francisco Finance Corporation for the use of equipment and facilities acquired, constructed and improved by the Finance Corporation. The total debt service requirement remaining on the lease revenue bond is \$281.3 million payable through June 2034. For the fiscal year ended June 30, 2015, principal and interest paid by the Corporation in the form of lease payments made by the City totaled \$26.4 million and \$5.2 million, respectively.

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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, 2015, the cumulative amount authorized, repaid and outstanding was \$64.5 million, \$10.1 million and \$14.2 million, respectively.

San Francisco Marina West Harbor Loan

In March 2009, the City through the Recreation and Parks Department entered into a loan agreement with the Department of Boating and Waterways of the State of California (State). Under the Small Craft Harbor Construction Loan agreement, the State will advance the City a total amount of \$16.5 million in four phases of its construction project. Repayment of principal and interest begins on August 1, immediately after the final loan draw and annually thereafter until August 2045. Interest shall be compounded continuously at the rate of 4.5% on the unpaid balance. The loan repayment shall be made from project area gross revenues. Primary collateral for the loan consists of a lease/leaseback of the marina between the City and the State with an assignment of rents and leases on marina revenues. In addition, the State will receive a first lien position on the City's marina account surplus revenues to cover any payment shortfall after construction completion. In January 2011, the State authorized to fund Phase V of the project for \$7.0 million by an amendment to the loan agreement. Under the amended agreement, the City will provide and maintain a reserve fund that will act as security of the loan. At a minimum, a reserve of two annual payments (\$2.9 million) will be accumulated during the first ten years of the loan repayment terms and thereafter be maintained at that level. The City made the final loan draw of \$2.1 million in September 2014. The amount of loan outstanding as of June 30, 2015 was \$23.5 million.

Business-Type Activities Long-Term Liabilities

The following provides a brief description of the current year additions to the long-term debt of the business-type activities.

San Francisco International Airport

Second Series Revenue Bonds (Capital Plan Bonds)
 Pursuant to resolutions approved in fiscal years 2008, 2012 and 2014, the Airport has authorized the issuance of up to \$4.8 billion of San Francisco International Airport Second Series Revenue Bonds to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes (CP) issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of June 30, 2015, \$3.2 billion of the authorized capital plan bonds remained unissued.

In September 24, 2014, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2014A (AMT/Private Activity) and Series 2014B (Non-AMT/Governmental Purpose) in the total amount of \$473.6 million. The Series 2014A/B Bonds are unsecured, long-term, fixed rate bonds. The Series 2014A Bonds mature between May 1, 2039 and May 1, 2044 with an interest rate of 5.0%. The Series 2014B Bonds mature on May 1, 2044, with an interest rate of 5.0%.

The net proceeds of \$460.1 million (comprised of a \$473.6 million bond principal amount, less \$1.5 million in underwriting fees, deposits to the capitalized interest accounts and the reserve account, and payment of costs of issuance, together with \$44.3 million in net original issue premium) were used to retire the outstanding balance of subordinate commercial paper notes (\$249.0 million), and make a deposit into the Airport's construction accounts to fund capital projects at the Airport (\$211.1 million).

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Second Series Revenue Refunding Bonds

Pursuant to sale resolutions approved between fiscal years 2005 through 2011, the Airport has authorized the issuance of up to \$8.4 billion of Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Resolution Bonds and outstanding subordinate commercial paper notes, funding debt service reserves, and paying cost of issuance, including any related bond redemption premiums. As of June 30, 2015, net of the expired sale authorizations, \$1.4 billion of such refunding bonds remained unissued. During fiscal year 2015, no new refunding bonds were issued and no refunding bonds were remarketed.

Variable Rate Demand Bonds

As of June 30, 2015, the Airport had outstanding aggregate principal amount of \$479.1 million of Second Series Variable Rate Revenue Refunding Bonds, consisting of Issue 36A/B/C and Issue 37C, and Series 2010A, (collectively, the "Variable Rate Bonds") with final maturity dates of May 1, 2026 (Issue 36A/B/C), May 1, 2029 (Issue 37C), and May 1, 2030 (Series 2010A). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days' notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport.

The scheduled payment of the principal and purchase price of and interest on the Variable Rate Bonds is secured by separate irrevocable LOC issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the tables below.

Amounts drawn under a LOC that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the LOC range between 0.520% and 0.570% per annum. As of June 30, 2015, there were no unreimbursed draws under these facilities.

In January 2015, the Airport closed a four-year extension of the irrevocable letter of credit issued by MUFG Union Bank, N.A. (formerly known as Union Bank, N.A.) supporting the Second Series Variable Rate Revenue Refunding Bonds, Issue 37C. The letter of credit will expire January 28, 2019. The extension of the letter of credit did not require a remarketing of the bonds.

The primary terms of the LOC securing the Variable Rate Bonds included in long-term debt as of June 30, 2015, are as follows:

	Issue 36A	Issue 36B	Issue 36C	Issue 37C	Issue 2010A
Principal Amount	\$100,000	\$40,820	\$36,145	\$88,080	\$213,235
Expiration Date	October 26, 2016	April 25, 2018	April 25, 2018	January 28, 2019	December 14, 2016
Credit Provider	U.S. Bank National Association	The Bank of Tokyo-Mitsubishi U.F.J. Ltd.	The Bank of Tokyo-Mitsubishi U.F.J. Ltd.	MUFG Union Bank	JP Morgan Chase Bank, N.A.

Interest Rate Swaps

Objective and Terms – In December 2004, the Airport entered into seven forward starting interest rate swaps (the 2004 swaps) with an aggregate notional amount of \$405.0 million, in connection with the anticipated issuance of Second Series Variable Rate Revenue Refunding Bonds, Issue 32A-E in February 2005, and Second Series Variable Rate Revenue Refunding Bonds, Issue 33 in February 2006. The swap structure was intended as a means to increase the Airport's debt service savings when compared with fixed rate refunding bonds at the time of issuance. The expiration date of the 2004 swaps is May 1, 2026.

In July 2007, the Airport entered into four additional forward starting interest rate swaps in connection with the anticipated issuance of its Second Series Variable Rate Revenue Refunding Bonds. Issue

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37B/C, in May 2008 (the 2007 swaps), and Second Series Variable Rate Revenue Refunding Bonds, Series 2010A, in February 2010 (the 2010 swaps). The expiration dates of the 2007 and 2010 swaps are May 1, 2029 and 2030, respectively.

In the spring of 2008, the Airport refunded several issues of auction rate and variable rate bonds, including Issue 32 and Issue 33. The 2004 swaps associated with these issues then became associated with the Second Series Variable Rate Revenue Refunding Bonds, Issues 36A-D and Issue 37A. Subsequently, in October and December 2008, the Airport refunded Issues 37A and Issue 37B, respectively. Concurrently with the refunding of Issue 37A, the three associated swaps, with an aggregate notional amount of \$205.1 million, were terminated. The swap associated with Issue 37B was not terminated upon the refunding of Issue 37B.

In December 2010, the Airport terminated the swap associated with the Series 2010A-3 Bonds, with a notional amount of \$72.0 million. The Airport paid a termination amount of \$6.7 million to the counterparty, Depla Bank plc. The payment was funded with taxable commercial paper, which was subsequently retired with Airport operating funds in March 2011.

Following the termination of the Depla swap, the Series 2010A-3 Bonds, which are variable rate, were no longer hedged with an interest rate swap. The swap associated with the Issue 37B Bonds, however, is now associated with the Series 2010A-3 Bonds and the unhedged portions of Issue 36A/B/C.

In September 2011, the Airport refunded the Issue 36D Bonds with proceeds of the Airport. Second Series Revenue Bonds, Series 2011H and terminated the swap associated with Issue 36D, which had an initial notional amount of \$30.0 million and JP Morgan Chase Bank, N.A. as counterparty. The Airport paid a termination fee of \$4.6 million to the counterparty.

Under the 2004 swaps, the Airport receives a monthly variable rate payment from each counterparty equal to 63.5% of USD-LIBOR-BBA plus 0.29%. Under the 2007 and 2010 swaps, the Airport receives 61.85% of USD-LIBOR-BBA plus 0.34%. These payments are intended to approximate the variable interest rates on the bonds originally hedged by the swaps. The Airport makes a monthly fixed rate payment to the counterparties as set forth below which commenced on the date of issuance of the related bonds. The objective of the swaps is to achieve a synthetic fixed rate with respect to the hedged bonds. All of the outstanding interest rate swaps are terminable at their market value at any time solely at the option of the Airport.

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The impact of the interest rate swaps on the financial statements for the fiscal year ended June 30, 2015 is as follows:

	Deferred outflows on derivative instruments	Derivative instruments
Balance as of June 30, 2014	\$ 64,964	\$ 80,235
Change in fair value to year end	1,845	487
Balance as of June 30, 2015	<u>\$ 66,809</u>	<u>\$ 80,722</u>

The fair value of the interest rate swap portfolio is recorded as a liability (since the swaps are out of the money from the perspective of the Airport) 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 out of the money) or inflow liability (if in the money). 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 inflows/outflows 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 of resources and derivative instruments above is the unamortized off-market portions of the swaps as of June 30, 2015.

Basis Risk - The Airport has chosen a variable rate index based on a percentage of LIBOR plus a spread, which historically has closely approximated the variable rates payable on the related bonds. However, the Airport is subject to the risk that a change in the relationship between the LIBOR-based swap rate and the variable bond rates would cause a material mismatch between the two rates. Changes that cause the payments received from the counterparty to be insufficient to make the payments due on the associated bonds result in an increase in the synthetic interest rate on the bonds, while changes that cause the counterparty payments to exceed the payments due on the associated bonds result in a decrease in the synthetic interest rate on the bonds. During the fiscal year ended June 30, 2015, the Airport paid a total of \$1.9 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, 2015, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport. Should long-term interest rates rise and the fair value of the swaps become positive, the Airport would be exposed to credit risk in the amount of the swaps' fair value. Under the terms of the swaps, counterparties are required to post collateral consisting of specified U.S. Treasury and Agency securities in an amount equal to the market value of a swap that exceeds specified thresholds linked to the counterparty's credit ratings. Any such collateral will be held by a custodial bank.

Counterparty Risk - The Airport is exposed to counterparty risk, which is related to credit and termination risk. While the insolvency or bankruptcy of a counterparty, or its failure to perform would be a default under the applicable swap documents, none of the Airport's swaps would automatically terminate. Rather, the Airport would have the option to terminate the affected swap at its fair value, which may result in a payment to the counterparty. The Airport may also be exposed to counterparty risk in a high interest rate environment in the event a counterparty is unable to perform its obligations on a swap transaction leaving the Airport exposed to the variable rates on the associated debt. In order to diversify the Airport's swap counterparty credit risk and to limit the Airport's credit exposure to any one counterparty, the Airport's swap policy imposes limits on the maximum net termination exposure to any one counterparty. Maximum net termination exposure is calculated as of the date of execution of each swap and is monitored regularly during the term of the swap. The exposure limits vary for collateralized and non-collateralized swaps based upon the credit rating of the counterparty. If any exposure limit is exceeded by a counterparty during the term of a swap, the Airport Director is required

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As of June 30, 2015, the Airport's derivative instruments comprised six interest rate swaps that the Airport entered into to hedge the interest payments on several series of its variable rate Second Series Revenue Bonds. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swaps to be effective as of June 30, 2015.

#	Current Bonds	Initial Notional Amount	Notional Amount June 30, 2015	Effective Date
1	36A/B	\$ 70,000	\$ 70,000	2/10/2005
2	36A/B	69,930	69,930	2/10/2005
3	36C	30,000	30,000	2/10/2005
4	2010A*	79,684	78,965	5/15/2008
5	37C	89,856	89,045	5/15/2008
6	2010A	143,947	142,927	2/1/2010
	Total	\$ 483,417	\$ 480,867	

* The swap previously associated with Issue 37B is now indirectly hedging Series 2010A-3 and the unhedged portions of Issue 36A/B/C.

Fair Value

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair 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.

As of June 30, 2015, the fair value of the Airport's six outstanding swaps, counterparty credit ratings and fixed rate payable by the Airport are as follows:

#	Current Bonds	Counterparty/guarantor*	Counterparty credit ratings (S&P/Moody/SFitch)	Fixed rate payable by Airport	Fair Value June 30, 2015
1	36A/B	JP Morgan Chase Bank, N.A.	A+/Aa2/AA-	3.444%	(6,101)
2	36A/B	JP Morgan Chase Bank, N.A.	A+/Aa2/AA-	3.445%	(6,102)
3	36C	JP Morgan Chase Bank, N.A.	A+/Aa2/AA-	3.444%	(3,472)
4	2010A*	Merrill Lynch Capital Services, Inc./Merrill Lynch Derivative Products AG	A+/Aa3/NR	3.773%	(14,262)
5	37C	JP Morgan Chase Bank, N.A.	A+/Aa2/AA-	3.898%	(17,085)
6	2010A	Goldman Sachs Bank USA/Goldman Sachs Group, Inc.	A-/Aa3/A	3.925%	(29,483)
	Total			Total	\$ (80,503)

* The ratings for the 2010A swaps are the ratings of the guarantor.

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to consult with the Airport's swap advisor and bond counsel regarding appropriate actions to take, if any, to mitigate such increased exposure, including, without limitation, transfer or substitution of a swap. As of June 30, 2015, 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). Although the Airport was not exposed to the credit of any counterparty with respect to termination amounts, the maximum net termination exposure limits in the Airport's swap policy were exceeded with respect to several counterparties. Following the consultation required by the Airport's swap policy, the Airport Director determined not to terminate, transfer or substitute such swaps.

Termination Risk - All of the interest rate swaps are terminable at their market value at any time at the option of the Airport. The Airport has limited termination risk with respect to the interest rate swaps. That risk would arise primarily from certain credit-related events or events of default on the part of the Airport, the municipal swap insurer, or the counterparty. The Airport has secured municipal swap insurance for all its regular payments and some termination payments due under all its interest rate swaps except the swaps associated with the Series 2010A Bonds, from the following insurers:

#	Current Bonds	Counterparty/guarantor*	Counterparty credit ratings (S&P/Moody's/Fitch)
1	36A/B	FGIC/National Public Finance Guarantee Corporation	AA-/A3/NR
2	36A/B	FGIC/National Public Finance Guarantee Corporation	AA-/A3/NR
3	36C	Assured Guaranty Municipal Corporation	AA/A2/NR
4	2010A*	None	N/A
5	37C	Assured Guaranty Municipal Corporation	AA/A2/NR
6	2010A	None	N/A

If the Airport is rated between Baa1/BBB+/BBB+ and Baa3/BBB-/BBB- (Moody's/S&P/Fitch), and the applicable bond insurer is rated below A3/A- (Moody's/S&P), the counterparties may terminate the swaps and require the Airport to pay the termination value, if any, unless the Airport chooses to provide suitable replacement credit enhancement, assign the Airport's interest in the swaps to a suitable replacement counterparty, or post collateral to secure the swap termination value. If the Airport is rated below Baa3/BBB-/BBB- (Moody's/S&P/Fitch) or its ratings are withdrawn or suspended, and the applicable bond insurer is rated below A3/A- (Moody's/S&P), the counterparties may terminate the swaps and require the Airport to pay the termination value, if any. With respect to the Series 2010A swaps with no swap insurance, the counterparty termination provisions and the Airport rating thresholds are the same as described above.

Additional Termination Events under the swap documents with respect to the Airport include an insurer payment default under the applicable swap insurance policy, and certain insurer rating downgrades or specified insurer non-payment defaults combined with a termination event or event of default on the part of the Airport or a ratings downgrade of the Airport below investment grade. Additional Termination Events under the swap documents with respect to a counterparty or its guarantor include a rating downgrade below A3/A1/A1 (Moody's/S&P/Fitch), followed by a failure of the counterparty to assign its rights and obligations under the swap documents to another entity acceptable to the applicable insurer within 15 business days.

The Airport's swap guarantor Goldman Sachs Group, Inc. was upgraded by one of the rating agencies during the year ended June 30, 2015. The Airport's swap counterparties Goldman Sachs Bank USA, Merrill Lynch Capital Services and JPMorgan Chase Bank, National Association, were each upgraded by one or more of the rating agencies during the year ended June 30, 2015.

The downgrade of any swap counterparty increases the risk to the Airport that such counterparty may become bankrupt or insolvent and not perform under the applicable swap. If a counterparty does not

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perform under its swap, the Airport may be required to continue making its fixed rate payments to the counterparty even though it does not receive a variable rate payment in return. The Airport may elect to terminate a swap with a non-performing counterparty and may be required to pay a substantial termination payment approximately equal to the fair value of such swap, depending on market conditions at the time. As of June 30, 2015, the fair value of each swap was negative to the Airport as shown above.

San Francisco Water Enterprise

In April 2015, the Enterprise issued tax-exempt revenue bonds, 2015 Series A in the amount of \$429.6 million for the purpose of refunding all the outstanding 2006 Series A bonds maturing on and after November 1, 2015 and portion of the outstanding 2009 Series A bonds. The bonds carried "Aa3" and "AA"-ratings from Moody's and S&P, respectively. The 2015 Series A bonds include serial bonds with interest rates varying from 2.00% to 5.00% and have a final maturity in 2036. The Series A bonds have a true interest cost of 3.25%. Unamortized 2006 Series A bond issuance costs were \$1.4 million and there were no unamortized bond issuance costs for 2009 Series A bonds at the date of the refunding. The refunding resulted in the recognition of a deferred accounting loss of \$25.4 million, gross debt service savings of \$28.1 million over the next twenty two-year terms, and an economic gain of \$48.6 million or 10.3% of refunded principal. As of June 30, 2015, the principal amount of 2015 Series A bonds outstanding was \$429.6 million.

Hetch Hetchy Water and Power

In May 2015, the Hetch Hetchy Power Enterprise issued tax-exempt revenue bonds, 2015 Series B (Green) in the amount of \$32.0 million with interest rates ranging from 4.0% to 5.0%, and 2015 Series B in the amount of \$7.5 million with interest rates ranging from 3.0% to 4.0%. Proceeds from the bonds were used to finance reconstruction or replacement of existing facilities of the PUC's Hetch Hetchy Project, to fund capitalized interest on the 2015 Series A/B Bonds, to fund a debt service reserve account for the 2015 Series A/B Bonds, and to pay costs of issuance of the 2015 Series A/B bonds. The bonds were rated "Aa+" and "AA"-by S&P and Fitch, respectively. The bonds mature through November 1, 2045. The true interest cost is 3.95%. As of June 30, 2015, the principal outstanding for the 2015 Series A and B bonds is \$32.0 million and \$7.5 million, respectively.

Municipal Transportation Agency

In November 2014, the SFMTA issued its Revenue Bonds, Series 2014 in the amount of \$70.6 million. The net proceeds were used to pay \$0.7 million in costs of issuance, deposit \$4.5 million into the Reserve Account, and fund \$75.0 million for various transit and parking capital projects for the SFMTA. The Series 2014 bonds bear interest at fixed rates ranging from 1.0% to 5.0% and have final maturity on March 1, 2044.

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

General Information About the Pension Plans - The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension plan (SFERS Plan), which covers substantially all of the employees of the City and County of San Francisco, and certain classified and certificated employees of the San Francisco Community College and Unified School Districts, and San Francisco Trial Court employees other than judges. The San Francisco City and County Charter and the Administrative Code are the authority which establishes and amends the benefit provisions and employer obligations of the SFERS Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the SFERS Plan. That report may be obtained by writing to the San

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San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

In addition, some City employees are eligible to participate in the Public Employees' Retirement Fund (PERF) or the California Public Employees' Retirement System (CalPERS) Safety Plan, an agent multiple-employer pension plan, or the CalPERS Miscellaneous Plan, a cost-sharing multiple-employer pension plan. Some employees of the San Francisco County Transportation Authority, a blended component unit, are eligible to participate in a CalPERS Miscellaneous Plan or a CalPERS PEPPRA Miscellaneous Plan, both are cost-sharing multiple-employer pension plans. In addition, some employees of the Successor Agency to the Redevelopment Agency, a fiduciary component unit, are eligible to participate in a CalPERS Miscellaneous Plan, a 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.

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Miscellaneous Non-Safety Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 53 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Sheriff's Department Members and Miscellaneous Safety Members who were hired on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members before November 2, 1976 qualify for a service retirement benefit if they are at least 50 years old and have at least 25 years of credited service. The service retirement benefit is calculated using the member's final compensation (monthly salary earnable at the rank or position the member held for at least one year immediately prior to retiring) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after November 2, 1976 and prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2%. Effective July 1, 2012, the SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the SFERS Plan and the SFERS Plan is fully funded on a market value of assets basis. The maximum benefit adjustment is 3.5% including the Basic COLA. For members hired on or after January 7, 2012, Supplemental COLAs will not be permanent adjustments to retirement benefits.

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CaIPERS – CaIPERS 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 average compensation period of 36 months. The cost of living adjustments for the CaIPERS plans are applied as specified by the Public Employees' Retirement Law. The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CaIPERS retirement and health benefits are applied, and places compensation limits on members. As such members who established CaIPERS membership on or after January 1, 2013 are known as "PEPRA" members.

The CaIPERS' provisions and benefits in effect at June 30, 2015, are summarized as follows:

Hire date	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
Benefit formula	2% @ 60	2% @ 62	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	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Required employee contribution rates	5.00%	6.50%	7.00% to 9.00%	10.00% to 12.25%
Required employer contribution rates	9.792%	9.792%	22.02%	22.02%

Hire date	Transportation Authority Miscellaneous Plans		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
Benefit formula	2.7% @ 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%	6.25%
Required employer contribution rates	18.189%	18.189%	12.15%	6.25%

At June 30, 2015, the CaIPERS Safety Plan had a total of 2,312 members who were covered by these benefits, which includes 887 inactive employees or beneficiaries currently receiving benefits, 333 inactive employees entitled to but not yet receiving benefits, and 1,092 active employees.

Contributions

For the years ended June 30, 2015 and 2014, the City's actuarial determined contributions were as follows:

	2015	2014
SFERS Plan.....	\$ 565,091	\$ 508,377
City CaIPERS Miscellaneous Plan.....	31	30
City CaIPERS Safety Plan.....	20,616	20,613
Transportation Authority CaIPERS Miscellaneous.....	345	342
Transportation Authority CaIPERS PEPRA Miscellaneous.....	55	23
Successor Agency CaIPERS PEPRA Miscellaneous.....	598	592
Total	\$ 586,736	\$ 529,977

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 2015 varied from 7.5% to 13.0% as a percentage of gross covered salary. For fiscal year ended June 30, 2015, 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, 2013 actuarial report, the required employer contribution rates for fiscal year 2015 were 22.26% to 26.76%.

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CaIPERS – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees 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 PERP is determined annually on an actuarial basis as of June 30 by CaIPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

Net Pension Liability

The table below shows how the net pension liability (NPL) as of June 30, 2015, is distributed.

	Net Pension Liability
Governmental activities.....	\$ 1,067,520
Business-type activities.....	749,919
Fiduciary funds.....	15,870
Total.....	\$ 1,833,309

As of June 30, 2015, the City's NPL is comprised of the following:

	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan.....	93.7629%	\$ 1,660,365
City CaIPERS Miscellaneous Plan.....	0.1629%	(11,381)
City CaIPERS Safety Plan.....	n/a	167,156
Transportation Authority CaIPERS Miscellaneous Plan.....	0.0208%	1,297
Transportation Authority CaIPERS PEPRA Miscellaneous Plan.....	0.00003%	2
Successor Agency CaIPERS Miscellaneous Plan.....	0.2550%	15,870
Total.....		\$ 1,833,309

The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The City's NPL of each of its cost-sharing plans is measured as of June 30, 2014, 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, 2013, rolled forward to June 30, 2014, 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 CaIPERS plans were actuarially determined as of the valuation date.

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The City's proportionate share and NPL of each of its cost-sharing plans as of June 30, 2013 and 2014 were as follows:

	June 30, 2014 (Measurement Date)		June 30, 2013		Change (Decrease)
	Proportionate Share	Share of Net Pension Liability (Asset)	Proportionate Share	Share of Net Pension Liability (Asset)	
SFRS Plan	93.7829%	\$ 1,660,365	94.1225%	\$ 3,552,075	\$ (1,891,710)
City CalPERS Miscellaneous Plan	0.1829%	(11,381)	n/a	(7,823)	(3,558)
Transportation Authority CalPERS Miscellaneous Plan	0.0208%	1,287	n/a	1,714	(417)
Transportation Authority CalPERS PEPRM Miscellaneous Plan	0.00003%	2	n/a	3	(1)
Successor Agency CalPERS Miscellaneous Plan	0.2550%	15,870	n/a	22,998	(7,128)
Total		\$ 1,665,153		\$ 3,565,987	\$ (1,902,814)

The City's NPL for the City CalPERS 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:

	Total Pension Liability	Increase (Decrease)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2013 (VD)	\$ 1,020,049		\$ 787,301	\$ 232,748
Change in year:				
Service cost	32,688		-	32,688
Interest on the total pension liability	76,177		-	76,177
Contributions from the employer	-	20,613		(20,613)
Contributions from employees	-	15,216		(15,216)
Net investment income ⁽¹⁾	-	138,628		(138,628)
Benefit payments, including refunds of employee contributions	(41,387)		(41,387)	-
Net changes during measurement period	67,478		133,070	(65,592)
Balance at June 30, 2014 (MD)	\$ 1,087,527		\$ 920,371	\$ 167,156

(1) Net of administrative expenses.

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Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense including amortization of deferred outflows/inflows related to pension items as follows:

	Governmental Activities		Business-type Activities		Fiduciary Funds		Total
	Outflows of Resources	Inflows of Resources	Outflows of Resources	Inflows of Resources	Outflows of Resources	Inflows of Resources	
SFRS Plan	\$ 52,482	\$ -	\$ 43,228	\$ -	\$ -	\$ -	\$ 95,710
City CalPERS Miscellaneous Plan	(1,149)	-	-	-	-	-	(1,149)
City CalPERS Safety Plan	19,060	-	-	-	-	-	19,060
Transportation Authority CalPERS Miscellaneous Plan	308	-	-	-	-	-	308
Transportation Authority CalPERS PEPRM Miscellaneous Plan	5	-	-	-	-	-	5
Successor Agency CalPERS Miscellaneous Plan	-	-	-	-	282	-	282
Total pension expense	\$ 70,706	\$ -	\$ 43,228	\$ -	\$ 282	\$ -	\$ 114,216

At June 30, 2015, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SEERS Plan		CalPERS Miscellaneous Plan		City CalPERS Safety Plan		Total
	Outflows of Resources	Inflows of Resources	Outflows of Resources	Inflows of Resources	Outflows of Resources	Inflows of Resources	
Pension contributions subsequent to measurement date	\$ 565,091	\$ -	\$ 1,029	\$ -	\$ 20,616	\$ -	\$ 586,736
Change in assumptions	-	55,006	976	783	-	-	976
Change in employer's proportion and differences between the employer's contributions share and contributions	-	10,263	748	1,415	-	-	748
Net differences between projected and actual earnings on plan investments	-	1,422,399	-	9,088	-	64,038	1,495,525
Total	\$ 565,091	\$ 1,487,668	\$ 2,753	\$ 11,286	\$ 20,616	\$ 64,038	\$ 1,562,292

At June 30, 2015, the City reported \$586.7 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/Inflows of Resources
2016	\$ (390,369)
2017	(390,369)
2018	(390,334)
2019	(390,196)
Total	\$ (1,561,268)

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Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2014 is provided below, including any assumptions that differ from those used in the July 1, 2013 actuarial valuation.

	<u>SFERS Plan Actuarial Assumptions</u>	<u>CalPERS Miscellaneous and Safety Plans</u>
Valuation date.....	June 30, 2013 updated to June 30, 2014	June 30, 2013 updated to June 30, 2014
Measurement date.....	June 30, 2014	June 30, 2014
Actuarial cost method.....	Entry-age normal cost method	Entry-age normal cost method
Investment rate of return.....	7.58%, net of pension plan investment and administrative expense, including inflation	7.50%, net of pension plan investment expense, including inflation
Municipal bond yield.....	4.39% as of June 30, 2013	
	4.31% as of June 30, 2014	
	Bond Buyer 20-Bond GO Index	
	July 3, 2013 and July 2, 2014	
Inflation.....	3.33%	2.75%
Projected salary/increases.....	3.53% plus merit component based on employee classification and years of service	3.30% to 14.20% depending on age, service, and type of employment
Discount rate.....	7.52% as of June 30, 2013	7.50% as of June 30, 2013
	Net of pension plan, investment and administrative expenses, including inflation	Net of pension plan, investment and administrative expenses, including inflation
Basic COLA.....	Old Miscellaneous and All New Plans..... 2.00%	Contract COLA up to 2.75% until Purchasing Power Allowance Floor on Purchasing Power Adjusted, 2.75% thereafter
	Old Police and Fire..... 3.00%	
	Pre 7/1/75 Retirees..... 4.00%	
	Chapters A61:595 and A6:596..... 5.00%	
	Chapters A61:559 and A6:585..... 5.00%	

Mortality rates for SFERS active members were based upon the RP-2000 Employee Tables for Males and Females projected using Scale AA to 2030 for females and to 2005 for males. Mortality rates for SFERS healthy annuitants were based upon the RP-2000 Healthy Annuitant Tables for Males and Females projected using Scale AA to 2020. Refer to SFERS's July 1, 2013 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System website.

The actuarial assumptions used in the SFERS June 30, 2013 valuation were based upon the results of a demographic experience study for the period July 1, 2004 through June 30, 2009 and an economic experience study as of July 1, 2013.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. All other actuarial assumptions used in the CalPERS June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rates

SFERS – The beginning and end of year measurements are based on different assumptions and contribution methods that result in different discount rates. The discount rate was 7.52% as of June 30, 2013 and 7.58% as of June 30, 2014.

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The discount rate used to measure SFERS's total pension liability as of June 30, 2014 was 7.58%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2014 actuarial valuation. That policy includes contributions equal to the employer payment on the unfunded actuarial liability. The as of the valuation date plus an amortization payment on the unfunded actuarial liability. The amortization payment is based on 15-year closed amortization of Charter amendments as a level percentage of payment and closed 20-year amortization as a level percentage of payroll of experience gains and losses and assumption changes. Supplemental COLAs are amortized over a closed 5-year period from the date they are granted. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of the actuarial liability in the valuation do not anticipate any Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For a Supplemental COLA to be granted the market value of assets must exceed the actuarial liability at the beginning of the year and the actual investment earnings during the year must exceed the expected investment earnings on the actuarial value of assets. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. In most cases, the large majority of members receive a 1.50% Supplemental COLA.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System, the Retirement System developed an assumption as of June 30, 2014, of the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLAs for member with a 2.00% basic COLA for sample years.

Year Ending	Assumption
June 30	
2015	0.000%
2020	0.364%
2025	0.375%
2030	0.375%
2035+	0.375%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2083 when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.58% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 4.31% to the extent they are not available. Since the payments discounted at the municipal bond rate are relatively few and far in the future, the municipal bond rate does not affect the single equivalent rate when rounded to two decimal places. Consequently, the single equivalent rate used to determine the total pension liability as of June 30, 2014 is 7.58%.

The long-term expected rate of return on pension plan investments was 7.58%. 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

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weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.3%
Fixed income	25%	1.8%
Private equity	16%	8.8%
Real assets	12%	5.8%

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Plans and the Safety Plan total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the City. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Real Return Years 1 - 10 ⁽¹⁾	Real Return Years 11+ ⁽²⁾
Global equity	47.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	12.0%	6.83%	6.95%
Real estate	11.0%	4.50%	5.13%
Infrastructure and forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period.
 (2) An expected inflation of 3.0% used for this period.

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the NPL for each of the City's 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	\$ 4,112,843	\$ 1,660,365	\$ (399,044)
SPERS			
City CalPERS Miscellaneous Plan		\$ (11,381)	\$ (13,649)
Transportation Authority			
CalPERS Miscellaneous Plan	2,221	1,297	530
CalPERS Miscellaneous PEPPA Plan	4	2	1
Successor Agency			
CalPERS Miscellaneous Plan	30,284	15,870	3,899

The following presents the NPL, calculated using the discount rate of 7.50% in effect as of the measurement date, as well as what the NPL would be if they were calculated using discount rates that are 1.00% lower (6.50%) or 1.00% higher (8.50%) than the rates used, for the City's agent-multiple employer plan:

Agent Pension Plan	1% Decrease @ 6.50%	Measurement Date @ 7.50%	1% Increase @ 8.50%
City CalPERS Safety Plan - Net Pension Liability	\$ 313,384	\$ 167,156	\$ 46,153

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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 \$656.4 million in fiscal year 2014-15. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California and the contribution models negotiated with the unions. Included in this amount is \$196.1 million to provide postemployment health care benefits for 26,454 retired participants, of which \$159.3 million related to City employees. The City's liability for postemployment health care benefits is enumerated below. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 300, San Francisco, CA 94103 or from the City's website.

(b) Postemployment Health Care Benefits

City (excluding the Transportation Authority and the Successor Agency)

Plan Description – The City maintains a single-employer, defined benefit other postemployment benefits plan, which provides health care benefits to employees, retired employees, and surviving spouses, through the City's Health Service System outlined above. Health care benefits are provided to members of the Health Service System through three plan choices: City Health Plan, Kaiser, and Blue Shield. The City does not issue a separate report on its other postemployment benefit plan.

The City established the Retiree Health Care Trust Fund to receive contributions for the purpose of providing a funding source for certain postemployment benefits other than pension. The Retiree Health Care Trust Fund is administered by a Retiree Health Care Board of Administration governed by five trustees, one selected by the City Controller, one by the City Treasurer, one by the Executive Director of the San Francisco Employees' Retirement System, and two elected by the active and retired members of the City's Health Service System.

Funding Policy – The contribution requirements of plan members and the City are based on a pay-as-you-go basis. For the year ended June 30, 2015, the City paid \$159.3 million for postemployment healthcare benefits on behalf of its retirees and contributed \$7.9 million to the Retiree Health Care Trust Fund.

Annual OPEB Cost and Net OPEB Obligation – The City's annual other postemployment benefits (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any

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unfunded actuarial liabilities (or funding excess) amortized over thirty years. The ARC was determined based on the July 1, 2012 actuarial valuation.

The net OPEB obligations are reflected in the statements of net position of the governmental activities, business-type activities, and fiduciary funds. The following table shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 350,389
Interest on Net OPEB obligation	79,741
Adjustment to annual required contribution	(66,487)
Annual OPEB cost	<u>363,643</u>
Contribution made	<u>(167,241)</u>
Increase in net OPEB obligation	196,402
Net OPEB obligation - beginning of year	1,793,753
Net OPEB obligation - end of year	<u>\$ 1,990,155</u>

The table below shows how the total net OPEB obligation as of June 30, 2015, is distributed.

Governmental activities	\$ 1,114,636
Business-type activities	814,608
Fiduciary funds	<u>60,911</u>
Net OPEB obligation - end of year	<u>\$ 1,990,155</u>

Eligible fiduciary funds' employees are City employees and thereby eligible for postemployment health benefits. These obligations are reported as other liabilities in the City's fiduciary funds financial statements.

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB		Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	OPEB Cost	Cost Contributed		
6/30/2013	\$ 418,539	38.3%		\$ 1,607,130
6/30/2014	353,251	47.2%		1,793,753
6/30/2015	363,643	46.0%		1,990,155

Funded Status and Funding Progress – The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over an open thirty-year period. As of July 1, 2012, the most recent actuarial valuation date, the funded status of the Retiree Health Care Benefits was 0.4%. The actuarial accrued liability for benefits was \$4.00 billion, and the actuarial value of assets was \$17.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.98 billion. As of July 1, 2012, the estimated covered payroll (annual payroll of active employees covered by the plan) was \$2.46 billion and the ratio of the UAAL to the covered payroll was 161.9%.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend

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information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation as of July 1, 2012, the entry age normal cost method was used. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of expected salary for each year of employment between entry age (age at hire) and assumed exit (maximum retirement age). Unfunded liabilities are amortized using the level percentage of payroll over a rolling 30-year period. The actuarial assumptions included a 4.45% investment rate of return on investment; 3.33% inflation rate; 3.85% payroll growth; and actual medical premiums from 2013 through 2014 and an ultimate medical inflation rate of 8.0% to 4.50% from 2016 through 2030.

The San Francisco Retiree Health Care Trust Fund (RHCTF) was established in December 2010 by the Retiree Health Trust Fund Board of the City. The RHCTF was established to receive employer and employee contributions prescribed by the Charter for the purpose of pre-funding certain postretirement health benefits. Proposition B requires employees hired on or after January 10, 2009 to contribute 2% of pay and the employer to contribute 1% of pay. Between January 10, 2009 and the establishment of the RHCTF, contributions were set aside and deposited into the RHCTF when it was established. Proposition C also requires all employees hired on or before January 9, 2009 to contribute 0.25% of pay to the RHCTF commencing July 1, 2016, increasing annually by 0.25% to a maximum of 1.0% of pay. The employer is required to contribute an equal amount. The RHCTF is currently invested in short-term fixed income securities.

The Charter amendment passed by voters as Proposition A on November 5, 2013 prohibits withdrawals from the RHCTF until sufficient funds are set-aside to pay for all future retiree health care costs as determined by an actuarial study. Limited withdrawals prior to accumulating sufficient funds will be permitted only if annually budgeted retiree health care costs rise above 10% of payroll expenses, and will be limited to no more than 10% of the RHCTF balance. Proposition A allows for revisions to these funding limitations and requirements only upon the recommendation of the Controller and an external actuary and if approved by the RHCTF Board, two-thirds of the Board of Supervisors, and the Mayor.

San Francisco County Transportation Authority

The Transportation Authority maintains a separate single-employer defined benefit OPEB plan and did not have a net OPEB obligation as of June 30, 2015. The Transportation Authority's most recent actuarial valuation was performed as of June 30, 2013, covering the year ended June 30, 2015. The Transportation Authority's OPEB plan is for retiree healthcare benefits and was 67.6% funded and the unfunded actuarial accrued liability was \$0.4 million. As of June 30, 2013, the estimated covered payroll was \$3.3 million and the ratio of the UAAL was 11.2%. Details of the Transportation Authority's OPEB plan may be found in its financial statements for the year ended June 30, 2015. 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 or the Transportation Authority's website.

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As of June 30, 2015, the Transportation Authority's annual OPEB expense of \$138.4 was equal to the ARC. Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 163.0	100%	\$ -
6/30/2014	138.4	100%	-
6/30/2015	138.4	100%	-

Successor Agency

Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's postemployment healthcare plan. The Successor Agency sponsors a single-employer defined benefit plan providing other postemployment benefits (OPEB) to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA) healthcare plan, which is administered by CalPERS. The Successor Agency pays monthly retiree medical benefit contributions to PEMHCA. Premiums in excess of the above Successor Agency contributions are paid by the retirees. Benefits provisions are established and may be amended by the Successor Agency.

The Successor Agency participates in the California Employers' Retiree Benefit Trust (CERBT) Fund. CERBT is administered by CalPERS and is an agent, multiple-employer trust. Copies of CalPERS' financial report may be obtained from CalPERS website at www.calpers.ca.gov or from CalPERS at 400 "Q" Street, Sacramento, California 95811.

Funding Policy – The contribution requirements of the plan members and the Successor Agency are established by and may be amended by the Successor Agency. The Successor Agency intends to fund plan benefits through the CERBT by contributing at least 100% of the annual required contribution.

The annual required contribution is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. During the year ended June 30, 2015, the Successor Agency contributed \$1.0 million to this plan.

Annual Other Postemployment Benefit Cost and Net Obligation – The Successor Agency's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Annual OPEB Cost (AOC) equals the plan's ARC, adjusted for historical differences between the ARC and amounts actually contributed.

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The following table shows the components of the Successor Agency's annual OPEB cost for the year ended June 30, 2015, and the changes in the net OPEB obligation:

Annual required contribution	\$	932
Interest on Net OPEB obligation		63
Adjustment to annual required contribution		(77)
Annual OPEB cost		918
Contribution made		(952)
Decrease in net OPEB obligation		(34)
Net OPEB obligation - beginning of year		867
Net OPEB obligation - end of year		<u>833</u>

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost/Contributed	Percentage of	
			Cost/Contributed	Net OPEB Obligation
6/30/2013	\$ 1,306	77%	\$	1,221
6/30/2014	912	139%		867
6/30/2015	918	104%		833

Funded Status and Funding Progress – The funded status of the plan of the Successor Agency as of June 30, 2013, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	11,378
Actuarial value of plan assets		2,154
Unfunded actuarial accrued liability (UAAL)		<u>\$ 9,224</u>
Funded ratio (actuarial value of plan assets/AAL)		18.9%
Covered payroll (active plan members)	\$	4,048
UAAL as a percentage of covered payroll		227.9%

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The annual required contribution for the year ended June 30, 2015 and the funding status of the plan was determined based on the June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include (a) investment return and discount rate of 7.25% with a 5 year smoothing with 20% corridor for the actuarial value of plan assets; (b) medical costs trend increases of 4%; (c) inflation rate of 3.0%; (d) payroll growth of 3.0%; and (e) 2009 CalPERS mortality

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for miscellaneous employees. The Successor Agency's initial and residual UAAL is being amortized as a level dollar amount over closed 30 years and open 24 years, respectively.

(10) 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 are set forth in the San Francisco County Transportation Expenditure Plan (Plan), which was approved as part of Proposition B. The Transportation Authority was organized pursuant to Sections 131000 et seq. of the Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990. The Transportation Authority administers the following programs:

Sales Tax Program. On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and Muni Metro Network; B) construction of the Muni Central Subway (Third Street Light Rail Project—Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge; Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the Transportation Authority Board may adopt an updated Expenditure Plan any time after 20 years from the effective date of adoption of the Proposition K Expenditure Plan but no later than the last general election in which the Proposition K Expenditure Plan is in effect. The Sales Tax would continue as long as a new or modified plan is in effect. Under Proposition K legislation, the Transportation Authority directs the use of the Sales Tax and may spend up to \$485.2 million per year and may issue up to \$1.88 billion in bonds secured by the Sales Tax.

Congestion Management Agency Programs. On November 6, 1990, the Transportation Authority was designated under State law as the Congestion Management Agency (CMA) for the City. Responsibilities resulting from this designation include developing a Congestion Management Program, which provides evidence of the integration of land use, transportation programming and air quality goals; preparing a long-range countywide transportation plan to guide the City's future transportation investment decisions; monitoring and measuring traffic congestion levels in the City; measuring the performance of all modes of transportation; and developing a computerized travel demand forecasting model and supporting databases. As the CMA, the Transportation Authority is responsible for establishing the City's priorities for state and federal transportation funds and works with the Metropolitan Transportation Commission to program those funds to San Francisco projects.

Transportation Fund for Clean Air (TFCA) Program. On June 15, 2002, the Transportation Authority was designated to act as the overall program manager for the local guarantee (40%) share of transportation funds available through the TFCA program. Funds from this program, administered by the Bay Area Air Quality Management District come from a \$4 vehicle registration fee on automobiles registered in the Bay Area. Through this program, the Transportation Authority recommends projects that benefit air quality by reducing motor vehicle emissions.

Proposition AA (Prop AA) Administrator of County Vehicle Registration Fee Program. On November 2, 2010, San Francisco voters approved Prop 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

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in the Expenditure Plan. Revenue collection began in May 2011. Prop AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues designated for each category over the 30-year Expenditure Plan period is shown in parenthesis for the following category, name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). In December 2012, the Transportation Authority Board approved the first Prop AA Strategic Plan, including the specific projects that could be funded within the first five years (i.e., Fiscal Years 2012-13 to 2016-17). The Prop AA program is a pay-as-you-go program. The Transportation Authority could use up to 5% of the funds for administrative costs.

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/Verba 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 TIMMA's Board of Commissioners as such TIMMA is included as a blended component unit in the Transportation Authority fund financial statements.

(11) DETAILED INFORMATION FOR ENTERPRISE FUNDS

(a) San Francisco International Airport

San Francisco International Airport (the Airport), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five-member Commission is responsible for the operation and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to the 2014 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 eighteenth in terms of cargo. The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

Revenue Pledge – The Airport has pledged all of the Net Revenues (as defined in the bond resolutions) to repay the following obligations, in order of priority: (1) the San Francisco International Airport Second Series Revenue Bonds (Senior Bonds), (2) the Subordinate Commercial Paper Notes and any other obligations (Subordinate Bonds) and amounts due to reimburse drawings under the letters of credit securing the Commercial Paper Notes, (3) remaining amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, and (4) interest rate swap termination payments.

During fiscal year 2015, the original principal amount of the Senior Bonds and Commercial Paper Notes issued, principal and interest remaining due on outstanding Senior Bonds and Commercial Paper Notes, principal and interest paid on such obligations, and applicable Net Revenues are as set forth in the table below. There are no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

Bonds issued with revenue pledge	\$ 473,610
Bond principal and interest remaining due at end of the fiscal year	7,206,612
Commercial paper issued with subordinate revenue pledge	40,000
Commercial paper principal and interest remaining due at end of the fiscal year ...	40,001
Net revenues	439,381
Bond principal and interest paid in the fiscal year	384,427
Commercial paper principal and interest paid in the fiscal year	3,418

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Debt Service Requirement – Under the terms of the 1991 Master Bond Resolution, for a Series of Second Series Revenue Bonds to be secured by the Airport's party common account (the Issue 1 Reserve Account), the Airport is required to deposit, with the trustee, an amount equal to the maximum debt service accruing in any year during the life of all Second Series Revenue Bonds secured by the Issue 1 Reserve Account or substitute a credit facility meeting those requirements. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of bonds. While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified insurance.

Under the terms of the 1991 Master Bond Resolution, the Airport has covenanted that it will establish and at all times maintain rentals, rates, fees, and charges for the use of the Airport and for services rendered by the Airport so that:

- (a) Net revenues in each fiscal year will be at least sufficient (i) to make all required debt service payments and deposits in such fiscal year with respect to the bonds, any subordinate bonds, and any general obligation bonds issued by the City for the benefit of the Airport and (ii) to make the annual service payment to the City, and
- (b) Net revenues, together with any transfer from the Contingency Account to the Revenue Account (both held by the City Treasurer), in each fiscal year will be at least equal to 125% of aggregate annual debt service with respect to the bonds for such fiscal year.

The methods required by the 1991 Master Bond Resolution for calculating debt service coverage differs from GAAP used to determine amounts reported in the Airport's financial statements.

Passenger Facility Charges – The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of \$4.50 for each enplaning passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC charges and are required to remit PFC revenues to the Airport in the following month after they are received by the air carrier. The Airport's most recent application amendment of \$610.5 million was approved by the FAA in October 2013. The authority to impose PFCs is estimated to end June 1, 2023. In November 2014, the FAA approved an amendment that increased the \$610.5 million to \$741.7 million and changed the end date from June 1, 2023 to October 1, 2024. In June 2015, the FAA approved the Airport's sixth PFC application (PFC #6) for \$141.1 million and estimates the charge expiration date for PFC #6 to be March 1, 2026. For the year ended June 30, 2015, the Airport reported approximately \$92.0 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

Commitments and Contingencies – In addition to the long-term obligations discussed in Note 8, there were \$78.1 million of Special Facilities Lease Revenue Bonds outstanding as of June 30, 2015, which financed improvements to the Airport's aviation fuel storage and delivery system that is leased to SFO Fuel Company LLC (SFO Fuel). SFO Fuel agreed to pay facilities rent to the Airport in an amount equal to debt service payments and required bond reserve account deposits on the bonds. The principal and interest on the bonds will be paid solely from the facilities rent payable by SFO Fuel to the Airport. The Airport assigned its right to receive the facilities rent to the bond trustee to pay and secure the payment of the bonds. Neither the Airport nor the City is obligated in any manner for the repayment of these obligations, and as such, they are not reported in the accompanying financial statements. Rent from Fuel System Lease with SFO Fuel is pledged until the maturity of the SFO Fuel bonds on January 1, 2027, unless additional bonds (including refunding bonds) with a later maturity are issued.

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Purchase commitments for construction, material and services as of June 30, 2015 are as follows:

Construction	\$ 58,296
Operating	16,213
Total	<u>\$ 74,509</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, 2015 was \$40.5 million and was recorded as a transfer. In addition, the Airport compensates the City's General Fund for the cost of certain direct services provided by the City to the Airport, including those provided by the Police Department, the Fire Department, the City Attorney, the City Treasurer, the City Controller, the City Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2015 was \$135.8 million.

Business Concentrations - In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. For the fiscal year ended June 30, 2015, revenues realized from the following Airport tenant exceeded five percent of the Airport's total operating revenues:

United Airlines	23.5%
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(b) Port of San Francisco

A five-member Port Commission is responsible for the operation, development, and maintenance activities of the Port of San Francisco (Port). In February 1969, the Port was transferred in trust to the City under the terms and conditions of State legislation ("Burton Act") ratified by the electorate of the City. Prior to 1969, the Port was operated by the State of California. The State retains the right to amend, modify or revoke the transfer of lands in trust provided that it assumes all lawful obligations related to such lands.

Pledged Revenues – The Port's revenues, derived primarily from property rentals to commercial and industrial enterprises and from maritime operations, which include cargo, ship repair, fishing, harbor services, cruise and other maritime activities, are held in a separate enterprise fund and appropriated for expenditure pursuant to the budget and fiscal provisions of the City Charter, consistent with trust requirements. Under public trust doctrine, the Burton Act, and the transfer agreement between the City and the State, Port revenues may be spent only for uses and purposes of the public trust.

The Port pledged future net revenues to repay its revenue bonds. Annual principal and interest payments through 2044 are expected to require less than 13% of net pledged revenues as calculated in accordance with the bond indenture. The total principal and interest remaining to be paid on the bonds is \$99.7 million. The principal and interest payments made in 2015 were \$4.2 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2015 were \$32.6 million.

The Port has entered into a loan agreement with the California Department of Boating and Waterways for \$3.5 million to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and is secured by gross revenues as defined in the loan agreement. Total principal and interest remaining to be paid on this loan is \$3.2 million. Annual principal and interest payments were \$0.23 million in 2015 and pledged harbor revenues were \$0.14 million for the year ended June 30, 2015.

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Pier 29 Fire – On June 20, 2012, a fire caused damage to the Pier 29 bulkhead and shed building. Required repair, replacement and certain improvement work, including code upgrades, is covered by insurance, after a deductible of \$0.5 million. Insurance proceeds totaling \$14.1 million have been received pursuant to preliminary claims filed by the Port through June 30, 2015. The Port is involved in discussions with its insurer as to additional insurance proceeds which the Port believes it should be entitled.

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, 2015, the Port had purchase commitments for construction-related services, materials and supplies, and other services were \$9.8 million for capital projects and \$2.4 million for general operations.

The San Francisco Clean and Safe Neighborhood Parks Bond general obligation bond issued in 2012 included \$34.5 million and in 2008 \$33.5 million for funding allocated for parks and open space projects currently in progress on Port property. Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to \$30 million over a 20-year period for pier removal, parks and plazas, and other public access improvements. As of June 30, 2015, \$48.8 million of Port funds have been appropriated and \$46.6 million has been expended for projects under the agreement. In addition to work directly funded by the Port, the deck and pilings that form the valley between Piers 15 and 17 and a portion on non-historic sheds were removed as part of the construction work completed by The Exploratorium project.

Transactions with Other Funds – The Port receives from, and provides services to, various City departments. In 2015, the \$17.0 million in services provided by other City departments included \$2.6 million of insurance premiums and \$0.6 million in workers' compensation expense.

South Beach Harbor Project Obligations – A portion of the Rincon Point South Beach Redevelopment Project Area is within the Port Area and the former Redevelopment Agency held leasehold interests to certain Port properties. In 2015, the Port and the Office of Community Investment and Infrastructure, Successor Agency to the Redevelopment Agency, completed discussions concerning the transition, termination of Port agreements, and the transfer of operations, assets, and certain associated obligations. The resultant memorandum of agreement has received essential approvals and is in executory status, pending the completion of several closing conditions.

South Beach Harbor revenues are pledged to a 1986 revenue bond issue that pre-dates the Port's 2010 Revenue Bonds. South Beach Harbor project funds, including certain tax increments, are available to pay current debt service, but additional berthing rate increases are likely required to cover future debt service and to meet the required level of debt service coverage specified in the bond indenture. Under BCDC Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements must be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that this uncompleted work would cost approximately \$7.9 million, including certain structural repairs, soft costs and recommended contingencies.

Pollution Remediation Obligations – The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable GAAP, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination. As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods current estimates of environmental liabilities could materially change.

Port lands are subject to environmental risk elements typical of sites with a mix of light industrial activities dominated by transportation, transportation-related and warehousing activities. Due to the historical placement of fill of varying quality, and widespread use of aboveground and underground tanks and pipelines containing and transporting fuel, elevated levels of petroleum hydrocarbons and

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lead are commonly found on Port properties. Consequently, any significant construction, excavation or other activity that disturbs soil or fill material may encounter hazardous materials and/or generate hazardous waste.

A 65-acre area commonly known as "Pier 70" has been used for over 150 years for iron and steel works, ship building and repair, and other heavy industrial operations. Much of the site was owned and/or occupied by the U.S. Navy or its contractors for at least 60 years. A long history of heavy industrial use has turned this area into a "brownfield" – an underutilized property area where reuse is hindered by actual or suspected contamination. Fifteen acres remain occupied by an on-going ship repair facility. Environmental conditions exist that require investigation and remediation prior to any rehabilitation or development for adaptive reuse. The lack of adequate information about environmental conditions has hindered previous development proposals for Pier 70.

Investigation work completed in 2011 reduced the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan. The Regional Water Quality Control Board approved the Risk Management Plan in January 2014. The Risk Management Plan provides institutional controls (e.g. use restrictions, health and safety plans) and engineering controls (e.g. capping contaminated soil) to protect current and future users and prevent adverse impact to the environment. The Risk Management Plan specifies how future development, operation, and maintenance will implement the remedy, by covering existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil.

Previous investigation of the northeast shoreline of Pier 70, in an area for development as the future "Crane Cove Park", found that near-shore sediment is contaminated with metals, petroleum hydrocarbons and polychlorinated biphenyls at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development of the area for public access and recreation. The accrued cost for pollution remediation at Pier 70, including Crane Cove Park, is estimated at \$10.7 million at June 30, 2015.

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 2015, is as follows:

	Environmental Remediation	Monitoring and Compliance	Total
Environmental liabilities at July 1, 2014	\$ 10,625	\$ 129	\$ 10,754
Current year claims and changes in estimates	78	(8)	70
Vendor payments	-	(50)	(50)
Environmental liabilities at June 30, 2015	<u>\$ 10,703</u>	<u>\$ 71</u>	<u>\$ 10,774</u>

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(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 2015, the Water Enterprise sold water, approximately 69,162 million gallons annually, to a total population of approximately 2.6 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission (Commission), established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy), and the San Francisco Wastewater Enterprise. Under Proposition E, the City's Charter Amendment approved by the voters in June 2008, the Mayor nominates candidates subject to qualification requirements to the Commission and the Board of Supervisors votes to approve the nominees by a majority (at least six members).

Pledged Revenues – The Water Enterprise has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from revenues of the Water Enterprise and are payable through fiscal year 2051.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2015 and applicable revenues for 2015 are as follows:

Bonds issued with revenue pledge	\$ 4,887,570
Bond principal and interest remaining due at end of the fiscal year	7,840,700
Net revenues	196,635
Bond principal and interest paid in the fiscal year	192,312
Funds available for revenue debt service	445,025

During fiscal year 2015, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was \$210.3 million. Such amounts are subject to final review by wholesale customers, along with a trailing wholesale balancing account compliance audit of the wholesale revenue requirement calculation. As of June 30, 2015, the City owed the Wholesale Customers \$2.2 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2015, the Water Enterprise had outstanding commitments with third parties of \$407.2 million for various capital projects and for materials and supplies.

Environmental Issue – As of June 30, 2015, the total pollution remediation liability was \$10.9 million, consisting of \$9.7 million for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area and \$1.2 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 \$36.8 million and \$8.7 million, respectively, for the year ended June 30, 2015, 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 \$14.8 million for the year ended June 30, 2015 and have been included in services provided by other departments.

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(d) Hetch Hetchy Water and Power Enterprise

San Francisco Hetch Hetchy Water and Power was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City. Hetch Hetchy is a stand-alone enterprise comprised of two funds, Hetch Hetchy Water and Hetch Hetchy Power, a portion of the Water Enterprise's operations, specifically the up-country water supply and transmission services for the latter. Hetch Hetchy accounts for the activities of Hetch Hetchy Water and Power and is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity from that resource.

Approximately 87% of the electricity generated by Hetch Hetchy Power is used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, the San Francisco International Airport and its tenants, San Francisco General Hospital, street lights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 13 percent balance of electricity is sold to other utility districts, such as the Turlock and Modesto Irrigation Districts (the Districts). As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the Districts to cover their pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or deposited into an energy bank account under the City's agreement with Pacific Gas and Electric Company (PG&E). Hetch Hetchy consists of a 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 California Independent System Operator (CAISO), and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

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Segment Information – Hetch Hetchy Power issued debt to finance its improvements. Both the Hetch Hetchy Water fund and the Hetch Hetchy Power fund are reported for in a single enterprise (i.e., Hetch Hetchy Water and Power Enterprise). 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:

	Hetch Hetchy		Total
	Water	Power	
Condensed Statements of Net Position			
Assets:			
Current assets.....	\$ 41,467	\$ 169,660	\$ 211,327
Receivables from other funds and component units.....	-	13,371	13,371
Noncurrent restricted cash and investments.....	4,626	41,264	45,890
Other noncurrent assets.....	178	2,393	2,571
Capital assets.....	104,330	269,006	373,336
Total assets.....	<u>150,601</u>	<u>495,894</u>	<u>646,495</u>
Deferred outflows of resources related to pensions	3,097	3,786	6,883
Liabilities:			
Current liabilities.....	5,493	19,428	24,921
Noncurrent liabilities.....	19,514	103,609	123,123
Total liabilities.....	<u>25,007</u>	<u>123,037</u>	<u>148,044</u>
Deferred inflows of resources related to pensions	8,280	10,120	18,400
Net position:			
Net investment in capital assets.....	104,330	241,484	345,814
Restricted for capital projects.....	4,434	-	4,434
Restricted for debt service.....	-	302	302
Unrestricted.....	11,647	124,737	136,384
Total net position.....	<u>\$ 120,411</u>	<u>\$ 366,523</u>	<u>\$ 486,934</u>

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Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position	Hetch Hetchy Water	Hetch Hetchy Power	Total
Operating revenues.....	\$ 38,835	\$ 108,968	\$ 147,803
Depreciation expense.....	(4,102)	(13,785)	(17,887)
Other operating expenses.....	(34,599)	(91,437)	(126,036)
Operating income	134	3,746	3,880
Nonoperating revenues (expenses):			
Federal grants.....	8	1,819	1,827
Interest and investment income (loss).....	(74)	1,253	1,179
Interest expense.....	-	(1,815)	(1,815)
Other nonoperating revenues (expenses)	(71)	4,096	4,025
Transfers in (out), net.....	-	2,043	2,043
Change in net position.....	(3)	11,142	11,139
Net position at beginning of year, as restated.....	120,414	355,381	475,795
Net position at end of year.....	\$ 120,411	\$ 366,523	\$ 486,934

Condensed Statements of Cash Flows	Hetch Hetchy Water	Hetch Hetchy Power	Total
Net cash provided by (used in):			
Operating activities.....	\$ 4,552	\$ 28,613	\$ 33,165
Noncapital financing activities.....	177	6,648	6,825
Capital and related financing activities.....	(14,966)	21,314	6,348
Investing activities.....	(37)	2,207	2,170
Increase (decrease) in cash and cash equivalents.....	(10,274)	58,782	48,508
Cash and cash equivalents at beginning of year.....	55,813	143,475	199,288
Cash and cash equivalents at end of year.....	\$ 45,539	\$ 202,257	\$ 247,796

Pledged Revenues – Hetch Hetchy Power has pledged future power revenues to repay bonds issued since fiscal year 2009. Proceeds from the bonds provided financing for various capital construction projects. These bonds are payable solely from net power revenues of Hetch Hetchy Power and are payable through the year ending 2046.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, during 2015, and applicable revenues for 2015 are as follows:

Bonds issued with revenue pledge.....	\$ 60,771
Bond principal and interest remaining due at end of the fiscal year.....	97,485
Net revenues.....	37,341
Bond principal and interest paid in the fiscal year.....	1,946
Funds available for revenue debt service.....	51,372

Commitments and Contingencies – As of June 30, 2015, Hetch Hetchy Water and Power had outstanding commitments with third parties of \$48.4 million for various capital projects and other purchase agreements for materials and services.

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Hetch Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) in which they would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City. Total payments were \$4.6 million in fiscal year 2015. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries, in the lower Tuolumne River, for the duration of the license. A maximum monitoring expense of \$1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52% and the Districts are responsible for 48% of the costs.

Hetch Hetchy Power

In April 1988, Hetchy Power entered into two separate long-term power sales agreements (the Agreement) with MID and TID. Both Agreements expire on June 30, 2015. On April 28, 2015, the Commission approved extension of the Agreement for one year to June 30, 2016. The Agreement with MID has been amended, effective January 1, 2008, removing Hetchy Power's obligation to provide firm power and eliminated MID's rights to excess energy from the project. In April 2005, Hetchy Power amended the terms of the Agreement with TID, terminating Hetchy Power's obligation to provide TID firm power, and retaining TID's rights to excess energy from the project through the term of the Agreement.

The PUC will continue to comply with the Raker Act by making Hetch Hetchy generated hydropower available at cost to MID and TID for their agricultural pumping and municipal loads as energy from the Hetch Hetchy project is available after meeting the PUC's municipal load obligations. The City and PG&E are currently engaged in negotiations at the Federal Energy Regulatory Commission. For fiscal years 2015, energy sales to the Districts totaled 115,026 Megawatt hours (MWh) or \$4,517.

In 1987 the City entered into an interconnection agreement with PG&E to provide transmission, supplemental energy services and distribution services on PG&E's system to deliver power to the City's customers. The agreement was renegotiated in 2007 and expired on July 1, 2015. During fiscal year 2015, Hetchy Power purchased \$13,617 of transmission, distribution services, and other support services from PG&E under the terms of the agreement.

The Interconnection Agreement with PG&E also contains a contractual provision allowing Hetch Hetchy to bank Hetchy Power produced in excess of its load obligations, with a maximum of 110,000 MWh. During fiscal year 2015, Hetchy Power generated 976,199 MWh of power, banked (deposited) in the Deferred Delivery Account (DDA) 35,391 MWh and used (withdrew) 114,082 MWh. At June 30, 2015, the balance in the bank was zero MWh or \$0.

Hetch Hetchy is exposed to risks that could negatively impact its ability to generate net revenues to fund operating and capital investment activities. Hydroelectric generation facilities in the Sierra Nevada are the primary source of electricity for Hetch Hetchy. For this reason, the financial results of Hetch Hetchy are sensitive to variability in watershed hydrology and market prices for energy.

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and power from Hetch Hetchy Power. Included in the operating revenues are the water assessment fees totaling \$36.8 million and purchased electricity for \$8.7 million for the year ended June 30, 2015. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling \$9.9 million for the year ended June 30, 2015. Included in 2015 operating revenues are sales of power to departments within the City of \$80 million.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy Water and Power and charge amounts designed to recover those departments' costs. These charges total approximately \$8.0 million for the year ended June 30, 2015 and have been included in services provided by other departments.

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(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 includes the entire City's surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and off and on street parking, regulation of the taxi industry, and three nonprofit parking garage corporations operated by separate nonprofit corporations, whose operations are interrelated. All significant inter-entity transactions have been eliminated.

The SFMTA was established by voter approval of the addition of Article VIII A to the Charter of the City (the "Charter") in 1989 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department, and to provide the Transportation System with the resources, independence and focus necessary to improve transit service and the City's transportation system. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenues to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A), which approved \$500 million in General Obligation Bonds for transportation and street infrastructure, and (4) in 2014 (Proposition B), which increases General Fund allocation to SFMTA based on the City's population increase.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area and seventh largest system in the United States. It currently carries more than 219 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 19 City-owned garages and 19 metered parking lots. Of the five nonprofit parking garages, three corporations provide operational oversight of four garages. In March 2009, the former Taxi Commission was merged with the SFMTA, which then has assumed responsibility for taxi regulation to advance industry reforms.

Three nonprofit corporations provide operational oversight to four parking garages: Japan Center, Sutter-Stockton, Union Square, and Portsmouth. Of these four parking garages, Union Square and Portsmouth are owned by the City's Recreation and Park Department but managed by the SFMTA. The activities of these parking garages are accounted for in SFMTA's parking garage accounts.

Pledged Revenue – In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors. The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable from all SFMTA revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2044.

Annual principal and interest payments for fiscal year 2015 were 14.8% 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 2015 and applicable revenues for 2015 are as follows:

Bonds issued with revenue pledge	209,840
Bond principal and interest remaining due at end of the fiscal year	328,011
Net revenues	84,547
Bond principal and interest paid in the fiscal year	14,640
Funds available for revenue debt service	99,187

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Operating and Capital Grants and Subsidies – The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of SFMTA and Sustainable Streets as determined by the City's budgetary accounting procedures and subject to the appropriation process. The amount of General Fund subsidy to the SFMTA was \$344.6 million in fiscal year 2015. The General Fund subsidy includes a total revenue baseline transfer of \$272.3 million, as required by the City Charter, \$69.8 million from an allocation of the City's parking tax, and \$2.5 million from district allocation projects.

The SFMTA receives capital grants from various federal, state, and local agencies to finance transit-related property and equipment purchases. As of June 30, 2015, SFMTA had approved capital grants with unused balances amounting to \$920.8 million. Capital grants receivable and capital program receivables from other nonmajor governmental funds as of June 30, 2015 totaled \$72.0 million and \$4.0 million, respectively.

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, 2015, the SFMTA had various operating grants receivable of \$27.5 million. In fiscal year 2015, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of \$1.5 million and other federal, state and local grants of \$12.4 million to fund project expenses that are operating in nature.

Proposition 1B is a ten-year \$20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) that is funding solely for public transit projects. The SFMTA received cash totaling \$95.6 million in fiscal year 2015 for different projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2016 for funds awarded between fiscal years 2008 and 2010. The Budget Act of 2013 further extended the date to June 30, 2018. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment, and rolling stock, and investment in expansion projects. During fiscal year 2015, \$89.1 million in drawdowns were made from the funds for various eligible projects costs.

Commitments and Contingencies – The SFMTA has outstanding contract commitments of approximately \$465.9 million with third parties, for various capital projects. Grant funding is available for a majority of this amount. The SFMTA also has outstanding commitments of approximately \$45.6 million with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures. The SFMTA is also committed to numerous capital projects for which it anticipates that federal and state grants will be the primary source of funding.

Leveraged Lease-Leaseback of BREDA Vehicles – Tranches 1 and 2

In April 2002 and in September 2003, following the approval of the Federal Transit Administration, SFMTA Board of Directors, and the City's Board of Supervisors, Muni entered into separate leveraged lease leaseback transactions for over 118 and 21 Breda light rail vehicles (the "Tranche 1" and "Tranche 2 Equipment", respectively, and collectively, the "Equipment"). Each transaction, also referred to as a "sale in lease out" or "SILO", was structured as a head lease of the Equipment to a special purpose trust and a sublease of the Equipment back from such trust. Under the respective sublease, Muni may exercise an option to purchase the Tranche 1 Equipment on specified dates between November 2026 through January 2030 and Tranche 2 Equipment in January 2030, in each case, following the scheduled sublease expiration dates. During the terms of the subleases, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

Muni received an aggregate of \$388.2 million and \$72.6 million, respectively in 2002 and 2003, from the equity investors in full prepayment of the head leases. Muni deposited a portion of the prepaid head lease payments into separate escrows that were invested in U.S. agency securities with maturities that correspond to the purchase option dates for the Equipment as specified in each sublease. Muni also deposited a portion of the head lease payments with a debt payment undertaker whose repayment

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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 S&P and "Aaa" by Moody's at the time the Tranche 1 and Tranche 2 Equipment transactions were entered into. Although these escrows do not represent a legal defeasance of Muni's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that Muni will need to access other monies to make sublease payments. Therefore, the assets and the sublease obligations are not recorded on the financial statements of the SFMTA as of June 30, 2015. On March 17, 2014, Muni terminated leveraged lease transactions with respect to 30 items of Tranche 1 Equipment having an initial transaction value of \$99.3 million.

The terms of the SLO documents require Muni to replace AGM, as successor to FSA, if its ratings are downgraded below BBB+ by S&P or "Baa1" by Moody's. AGM's current ratings of "AA" from S&P and "A2" from Moody's satisfy this requirement. In addition, AGM, as successor to FSA, provides a surety policy with respect to each Equipment transaction to guarantee potential payments in the event such transaction were terminated in whole or in part prior to such sublease expiration date. The terms of the Equipment transaction documents require Muni to replace AGM, as surety provider, if its ratings are downgraded below "AA" by S&P or "Aa3" by Moody's. Since January 17, 2013, when Moody's downgraded AGM's rating to A2, there has not been a change in the S&P rating, which is AA or the Moody's rating, which is A2. Failure of Muni to replace AGM following a downgrade by either Moody's or S&P to below the applicable rating threshold within a specified period of time following demand by an equity investor could allow such equity investor, in effect, to issue a default notice to Muni. Because replacement of AGM in either of its roles as debt payment undertaker guarantor or surety may not be practicable, Muni could become liable to pay termination costs as provided in certain schedules of the Equipment transaction documents. These early termination costs are in the nature of liquidated damages. The scheduled termination costs as of June 30, 2015 after giving effect to the market value of the securities in the escrow accounts, would approximate \$56.9 million. The scheduled termination costs increase over the next several years. As of June 30, 2015, no investor has demanded Muni to replace AGM as the surety provider.

As a result of the cash transactions above, Muni recorded \$35.5 million and \$4.4 million in fiscal year 2002 and 2003 respectively, for the difference between the amounts received of \$388.2 million and \$72.6 million, and the amounts paid to the escrows and the debt payment undertaker of \$352.7 million and \$67.5 million, respectively. These amounts are classified as deferred inflows of resources and will be amortized over the life of the sublease unless the purchase option is exercised. The deferred inflows of resources amortized amounts were \$1.0 million and \$0.2 million for the Tranche 1 Equipment and the Tranche 2 Equipment in fiscal year 2015, respectively.

As of June 30, 2015, no outstanding payments remain on the sublease through the end of the sublease term. Payments to be made on the purchase options, if exercised, would be \$441.4 million for the Tranche 1 Equipment and \$154.2 million for the Tranche 2 Equipment. These payments are to be funded from the amounts in escrow and by the payment undertaker. If Muni does not exercise the purchase option, Muni would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the "service recipient" under a "service contract", and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

(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

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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, 2015, the subsidy for LHH was \$69.8 million.

Net Patient Service Revenue - Net patient service revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals and bad debt. These allowances are based on current payment rates, including per diems, Diagnosis-Related Group (DRG) reimbursement amounts and payment received as a percentage of gross charges.

Third-Party Payor Agreements - LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. LHH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2015, LHH's patient receivables and charges for services were as follows:

	Patient Receivables, net			Total
	Medi-Cal	Medicare	Other	
Gross accounts receivables.....	\$ 57,819	\$ 4,321	\$ 2,744	\$ 64,884
Less: Provision for contractual allowances.....	(37,436)	(2,798)	(1,776)	(42,010)
Total, net.....	\$ 20,383	\$ 1,523	\$ 968	\$ 22,874

	Net Patient Service Revenues			Total
	Medi-Cal	Medicare	Other	
Gross revenues.....	\$ 333,610	\$ 20,192	\$ 12,822	\$ 366,624
Less: Provision for contractual allowances.....	(183,590)	(14,872)	(13,022)	(211,484)
Total, net.....	\$ 150,020	\$ 5,320	\$ (200)	\$ 155,140

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, 2015, LHH accrued and recognized \$50 million of revenue as a result of matching federal funds to local funds.

Unearned Credits and Other Liabilities - As of June 30, 2015, LHH recorded approximately \$99 million in other liabilities for third-party payor settlements payable.

Transactions with Other Funds - A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to LHH and charge amounts designed to recover those departments' costs. These charges

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total approximately \$9.8 million for the year ended June 30, 2015 and have been included in services provided by other departments.

Commitments and Contingencies – In September, 2015, the Centers for Medicare and Medicaid Services (CMS) notified LHH that it disallowed \$56.1 million in District ParaNursing Facility Construction and Renovation and Reimbursement Program payments made by the California Department of Health Care Costs (DHCS) to LHH for debt service payments related to its facility made between July 1, 2004 and November 18, 2010. The City and DHCS are currently in discussions with CMS regarding this disallowance and whether a different interpretation or approach may be applied, but cannot predict the final outcome of the discussions.

As of June 30, 2015, LHH has entered into various purchase contracts totaling approximately \$0.4 million that are related to the old building remodel phase of the Replacement Project.

(g) San Francisco General Hospital

General Fund Subsidy - San Francisco General Hospital (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, 2015, the subsidy for SFGH was \$155.0 million.

Net Patient Service Revenue - Net patient service revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals, bad debt, and administrative write-offs. These allowances are based on current payment rates, including per diems, DRG amounts and payment received as a percentage of gross charges.

Third-Party Payor Agreements - SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Medi-Cal Hospital/Section 1115 Medicaid Waiver and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. SFGH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

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During the year ended June 30, 2015, SFGH's patient receivables and charges for services were as follows:

	Patient Receivables, net		
	Medi-Cal	Medicare	Other
Gross accounts receivables.....	\$ 252,619	\$ 109,246	\$ 121,163
Less:			
Provision for contractual allowances.....	(196,203)	(99,138)	(78,352)
Provision for bad debts.....	-	-	(34,014)
Total, net.....	\$ 56,416	\$ 10,108	\$ 8,797

	Net Patient Service Revenues		
	Medi-Cal	Medicare	Other
Gross revenues.....	\$ 1,516,247	\$ 580,739	\$ 871,084
Less:			
Provision for contractual allowances.....	(1,393,977)	(457,102)	(306,871)
Provision for bad debt.....	-	-	(79,070)
Total, net.....	\$ 122,270	\$ 123,637	\$ 485,143

California's Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. The Waiver is intended to help sustain the state's Medicaid Program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform.

Under the Waiver, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursements for inpatient hospital services; 2) Disproportionate Share Hospital payments; 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) Delivery System Reform Incentive Program (DSRIP); and 5) the Low Income Health Program (LIHP). The non-federal share of these payments will be provided by the public hospitals, primarily through certified public expenditures, whereby the hospital would expend its local funding for services to draw down the federal financial participation. Revenues recognized under the Waiver approximated \$188.1 million for the year ended June 30, 2015.

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 LIHP ended on December 31, 2013. Individuals who fell under the LIHP program either transitioned to Medi-Cal or purchased health insurance through California's health benefit exchange (Covered California). Fiscal year 2014-2015 was the first full year of expanded Medi-Cal coverage and Covered California.

On October 31, 2015, the Section 1115 Medicaid Waiver, originally set to expire on October 31, 2015, was extended temporarily to December 31, 2015. In addition, the DHCS and CMS arrived at a conceptual agreement that outlines the major components of the waiver renewal, with the details of the renewal currently being finalized. The conceptual agreement includes the following core elements: (a) Global Payment Program for services to the uninsured in designated public hospital systems (DPH); (b) Delivery System Transformation and Alignment Incentive Program for DPHs and district/municipal hospitals, known as PRIME (Public Hospital Redesign and Incentives in Medi-Cal); (c) Denial Transformation Incentive Program; (d) Whole Person Care Pilot Program which would be a county-based, voluntary program to target providing more integrated care for high-risk, vulnerable populations; (e) Independent assessment of access to care and network adequacy for Medi-Cal managed care beneficiaries; and (f) Independent studies of uncompensated care and hospital financing. The financial impact of the new Waiver in future years is not yet known.

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In addition, SFGH was reimbursed by the State of California, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2015, reimbursement under the Short-Doyle Program amounted to approximately \$5.4 million and is included in net patient service revenue.

Unearned Credits and Other Liabilities - As of June 30, 2015, SFGH recorded approximately \$270.7 million in unearned credits and other liabilities, which was comprised of \$240.7 million in unearned credits related to receipts under Safety Net Care Pool, the LHP, and AB915 programs, and \$30.0 million in Third-Party Settlements payable.

Transactions with Other Funds - A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to SFGH and charge amounts designed to recover those departments' costs. These charges total approximately \$47.1 million for the year ended June 30, 2015 and have been included in services provided by other departments.

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 \$213.6 million and estimated costs and expenses to provide charity care were \$61.6 million in fiscal year 2014-15.

Other Revenues - SFGH recognized \$34.4 million of realignment funding for the year ended June 30, 2015. With California implementing a state-run Medicaid Expansion afforded by the Affordable Care Act, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there is a mechanism that provides for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% (70% for fiscal year 2013-14) of the savings realized by the county. The State predetermined an amount of health realignment to be redirected of \$3.9 million in fiscal year 2014-15 for the City and withheld those amounts from health realignment remittances to the City. A reconciliation using actual experience will be concluded within two years after June 30, 2015 for fiscal year 2014-15.

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, 2015, was approximately \$149.7 million.

SFGH Rebuild - In 1994, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2008 (subsequent legislation has extended the final date to January 1, 2020). In January 2001, the San Francisco Health Commission approved a resolution to support a rebuild effort for the hospitals, and the Department of Public Health conducted a series of planning meetings to review its options. It became evident that rebuilding rather than retrofitting was required, and that rebuilding SFGH presented a unique opportunity for the Department of Public Health to make system-wide as well as structural improvements in its delivery of care for patients.

In October 2005, the San Francisco Health Commission accepted the Mayor's Blue Ribbon Committee recommendation to rebuild the hospital at its current Potrero Avenue location. A site feasibility study was concluded in September 2006 and showed a compliant hospital can be built on the west lawn without demolishing the historic buildings or other buildings. An institutional master plan, a hazardous materials assessment, a geotechnical analysis and rebuild space program have all been completed in the fiscal year 2007. Schematic design of the new building was completed and the project cost was estimated at \$687.4 million.

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The majority of the funding would be through issuance of bonds. In November 2008, San Francisco voters approved Proposition A, a ballot measure that authorized the City to issue general obligation bonds for the rebuild of the hospital. As of June 30, 2015, General Obligation Bonds in the amount of \$687.4 million have been sold to fund the hospital rebuild. The current schedule indicates that substantial completion will be achieved in the upcoming quarter, with the final completion targeted for December 2015. The General Obligation Bonds are accounted for as governmental activity and transactions are accounted for in the City's Governmental Capital Projects Funds. Upon completion of the new facility, it will be contributed to the SFGH enterprise fund.

During the year ended June 30, 2015, the SFGH received a donation in the amount of \$57.4 million from a philanthropist restricted for the acquisition of furniture, fixtures and equipment for the new hospital. The unspent balance in the amount of \$56.2 million is reported as net position restricted for capital projects at June 30, 2015 in the statement of net position.

Commitments and Contingencies - As of June 30, 2015, SFGH had outstanding commitments with third parties for capital projects totaling \$3.2 million.

(h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise) was established in 1977, following the transfer of all sewage-system-related assets and liabilities of the City to the Wastewater Enterprise pursuant to bond resolution, to account for the City's municipal sewage treatment and disposal system.

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves, on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers, cost of service, through user fees based on the volume and strength of sanitary flow. The Wastewater Enterprise serves approximately 147,486 residential accounts, which discharge about 16.5 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 16,200 non-residential accounts, which discharge about 8.2 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 2043.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2015, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	\$ 764,550
Bond principal and interest remaining due at end of the fiscal year	1,206,655
Net revenues	96,547
Bond principal and interest paid in the fiscal year	60,901
Funds available for revenue debt service	230,960

Commitments and Contingencies - As of June 30, 2015, Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling \$124.7 million.

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Pollution Remediation Obligations – The City and the Wastewater Enterprise have been listed as potentially responsible parties in the clean-up effort of Yosemite Creek, Yosemite Creek has been identified as having toxic sediments, primarily polychlorinated biphenyls, in the drainage areas to the creek; contaminated flows emanating from a local industrial discharger as the likely responsible source of the contamination. The pollution remediation obligation reported in the accompanying statements of net position is based on estimated contractual costs. The liability balance remained at \$571 as of June 30, 2015.

Transactions with Other Funds – The Wastewater Enterprise purchases power from Hetch Hetchy Power totaling \$9.9 million for the year ended June 30, 2015. A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately \$26.3 million for the year ended June 30, 2015 and have been included in services provided by other departments.

(12) 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 activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

On May 29, 2013, the California Department of Finance (DOF) granted a Finding of Completion for the Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Successor Agency does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. With a Finding of Completion, the Successor Agency may proceed with (1) placing loan agreements between the former Agency and the City on the ROPS, as enforceable obligations, provided the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes per HSC, and (2) utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants.

In addition, the receipt of the Finding of Completion allows the Successor Agency to submit a Long Range Property Management Plan (LRPMP) to the Oversight Board and the DOF for approval. The LRPMP addresses the disposition and use of real properties held by the Successor Agency and must be submitted within six months of receipt of the Finding of Completion. Part 2 of the LRPMP was approved by the DOF on October 4, 2013. The Oversight Board approved Part 2 of the LRPMP on November 25, 2013 and submitted it to DOF. The Successor Agency received feedback and comments on the submitted LRPMP from the DOF during September 2015. The Successor Agency will make revisions to the LRPMP, obtain approval from the Commission and the Oversight Board, and resubmit the LRPMP to DOF for final approval by December 2015.

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(a) Capital Assets Held by the Successor Agency

For the year ended June 30, 2015, a summary of changes in capital assets was as follows:

	Balance July 1, 2014	Additions	Deletions/ Transfers	Balance June 30, 2015
Capital assets not being depreciated:				
Land held for lease	\$ 59,381	\$ -	\$ (4,612)	\$ 54,769
Construction in progress	2,822	632	(2,821)	633
Total capital assets not being depreciated	62,203	632	(7,433)	55,402
Capital assets being depreciated:				
Furniture and equipment	8,144	-	-	8,144
Building and improvements	225,022	-	2,821	227,843
Total capital assets being depreciated	233,166	-	2,821	235,987
Less accumulated depreciation for:				
Furniture and equipment	(8,076)	(17)	-	(8,093)
Building and improvements	(89,579)	(5,621)	-	(95,200)
Total accumulated depreciation	(97,655)	(5,638)	-	(103,293)
Total capital assets being depreciated, net	135,511	(5,638)	2,821	132,694
Total capital assets, net	\$ 197,714	\$ (5,006)	\$ (4,612)	\$ 188,096

(b) Summary of the Successor Agency's Long-Term Obligations

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
Hotel tax revenue bonds ^(a)	2025	4.00% - 5.00%	\$ 37,470
Tax allocation revenue bonds ^(b)	2044	0.57% - 9.00%	849,709
South Beach Harbor Variable Rate Refunding bonds ^(c)	2017	3.50%	1,985
California Department of Boating and Waterways Loan ^(d)	2037	4.50%	7,075
Total long-term bonds and loans			\$ 896,249

Debt service payments are made from the following sources:

- (a) Hotel taxes from the occupancy of guest rooms in the hotels located in the Redevelopment Project Areas.
- (b) Redevelopment property tax revenues and existing debt service/escrow trust funds.
- (c) South Beach Harbor Project cash reserves, redevelopment property tax revenues and project revenues.
- (d) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Issuance of Successor Agency Bonds – On December 24, 2013, the DOF released its letter approving the issuance bonds by the Successor Agency. On December 11, 2014, the Successor Agency issued two refunding bonds: 1) Tax Allocation Refunding Bonds Series 2014 B (2014 Series B Bonds) for \$68.0 million and 2) Tax Allocation Refunding Bonds Series 2014 C (2014 Series C Bonds) for \$75.9 million. Proceeds from the 2014 Series B Bonds were used to partially or fully refund 2004 Series D, 2005 Series C, and 2006 Series A Bonds in the amount of \$25.0 million, \$29.4 million, and \$10.4 million, respectively. The refunding resulted in gross savings of \$14.8 million or net present value savings of \$5.0 million and an accounting loss of \$0.3 million, which is being amortized over the life of the bonds. The 2014 Series B Bonds bear fixed interest rates ranging from 0.57% to 4.87% and have a final maturity of August 1, 2035. Proceeds from the 2014 Series C Bonds, including original issue premium of \$8.7 million and funds on hand from the refunded bonds in the amount of \$2.2 million, were used to partially or fully refund 1993 Series B, 1998 Series D, 2003 Series C, 2004 Series A, 2004

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Series C, and 2005 Series A Bonds in the amount of \$4.6 million, \$3.2 million, \$4.4 million, \$56.7 million, \$5.9 million, and \$9.9 million, respectively. The refunding resulted in net present value savings of \$7.7 million and an accounting loss of \$0.3 million. The 2014 Series C Bonds bear fixed interest rates ranging from 2.00% to 5.00% and have a final maturity of August 1, 2029.

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. former tax increment). These revenues have been pledged until the year 2044, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately \$1.57 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2015 was \$124.8 million as against the total debt service payment of \$98.8 million.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2026, the final maturity date of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately \$48.1 million. The hotel tax revenue recognized during the year ended June 30, 2015 was \$5.1 million which equated the total debt service payment.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2015, are as follows:

	July 1, 2014	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2015
Bonds payable:				
Tax revenue bonds	\$ 946,508	\$ 143,900	\$ (201,234)	\$ 889,174
Lease revenue bonds	1,426	-	(1,426)	-
Less unamortized amounts:				
For issuance premiums	7,333	8,661	(2,436)	13,558
For issuance discounts	(4,951)	-	586	(4,365)
Total bonds payable	\$ 950,316	\$ 152,561	\$ (204,510)	\$ 898,367
Accreted interest payable	39,385	4,741	(6,625)	37,501 ⁽¹⁾
Notes, loans, and other payables	7,283	-	(208)	7,075
Accrued vacation and sick leave pay	1,325	275	(961)	639
Other postemployment benefits obligation	867	918	(952)	833
Successor Agency - long term obligations	\$ 993,176	\$ 158,495	\$ (213,256)	\$ 944,415

(1) Amounts represents interest accretion Capital Appreciation Bonds.

As of June 30, 2015, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

Fiscal Year Ending June 30	Tax Revenue Bonds		Other Long-Term Obligations		Total
	Principal	Interest	Principal	Interest	
2016	\$ 56,460	\$ 47,871	\$ 218	\$ 318	\$ 56,678
2017	55,135	45,140	227	309	55,362
2018	57,150	42,647	238	298	57,388
2019	65,205	39,874	248	288	65,453
2020	45,757	40,259	259	276	46,016
2021-2025	158,323	211,438	1,483	1,196	159,806
2026-2030	122,138	143,739	1,849	831	123,987
2031-2035	139,589	105,773	2,304	376	141,893
2036-2040	127,857	49,362	249	13	128,206
2041-2044	61,460	5,761	-	-	61,460
Total	\$ 889,174	\$ 731,864	\$ 7,075	\$ 3,905	\$ 896,249

Due to Advances from the Primary Government – In January 2003, the City and the former Agency entered into a Cooperation and Tax Increment Reimbursement Agreement. The City agreed to advance property tax revenues to the former Agency for the debt service payments on the Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003 B and C. The former Agency agreed to make reimbursement payments related to the Jessie Square Parking Garage and fully repay the advances by fiscal year 2018. In accordance with HSC Section 34191.4(b)(3), signed into law in September 2015, interest shall be accrued quarterly at an annual rate of 3% on the principal balance due to the City. The City and the Successor Agency have continued to accrue interest at the LAIF rate as of June 30, 2015. For the year ended June 30, 2015, the City advanced \$3.8 million in property tax revenues to the Successor Agency for debt service payments. Interest in the amount of \$0.05 million was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of \$2.3 million to the City. At June 30, 2015, the outstanding payable balance due to the General Fund was \$23.2 million, which was comprised of principal of \$22.5 million and accrued interest of \$0.7 million.

During the year ended June 30, 2015, the Oversight Board and the DOF approved future repayments of the SERAF borrowing from the City for up to the maximum amount of \$16.5 million plus accrued interest. During January 2015, the Successor Agency recorded the payable balance of \$18.8 million, which was comprised of principal of \$16.5 million and accrued interest of \$2.3 million. For the year ended June 30, 2015, interest in the amount of \$203 was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of \$2,951 to the City. At June 30, 2015, the outstanding payable balance was \$16,022, which was comprised of principal of \$13,532 and accrued interest of \$2,490.

At June 30, 2015, the Successor Agency also has a payable to the City in the amount of \$1,820 which consists of \$948 for Jessie Square cost reimbursements and \$872 for other services provided.

(c) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2015, the Successor Agency had outstanding encumbrances totaling approximately \$80.7 million.

Risk Management - The Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of \$10.0 million per occurrence (\$5.0 million for employment practices liability) and a \$0.03 million deductible per occurrence.

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Operating Lease - The Successor Agency has noncancelable operating leases for its office sites and a Master Lease Option Agreement with the San Francisco Port Commission, which are enforceable obligations of the Successor Agency. The leases require the following minimum annual payments:

Fiscal Years		Fiscal Years	
2016	\$ 1,311	2026-2030	\$ 4,351
2017	870	2031-2035	4,351
2018	870	2036-2040	4,351
2019	870	2041-2045	4,351
2020	870	2046-2050	4,351
2021-2025	4,351	2051	217
		Total	\$ 31,114

Rent payments totaling \$1.4 million are included in the Successor Agency's financial statements for the year ended June 30, 2015.

The Successor Agency has noncancelable operating leases on various facilities within project areas. The minimum future rental income are as follows (in thousands):

Fiscal Years		Fiscal Years	
2016	\$ 4,660	2026-2030	\$ 22,148
2017	4,362	2031-2035	23,612
2018	4,287	2036-2040	19,782
2019	4,153	2041-2045	21,069
2020	4,034	2046-2050	7,121
2021-2025	20,652	Total	\$ 135,880

For the year ended June 30, 2015, operating lease rental income for noncancelable operating leases was \$11.8 million. Within the operating lease rental income, \$6.6 million represents contingent rental income received. At June 30, 2015, the leased assets had a net book value of \$40.4 million.

Conduit Debt - Various community facility district bonds and mortgage revenue bonds have been issued by the former Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the financial statements. Debt service payments will be made by developers or property owners. All of the mortgage revenue bonds issued by the former Agency were transferred to the City upon the dissolution of the former Agency. As of June 30, 2015, the Successor Agency had outstanding community facility district bonds totaling \$197.9 million.

Transbay Transit Center Agreements - In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency

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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, 2015, the Successor Agency received \$2.5 million from a developer and distributed the funds to the TJPA. The payment was recorded as a neighborhood development deduction on the statement of changes in fiduciary net position.

(13) 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 negotiating the acquisition of former Naval Station, Treasure Island with the U.S. Navy and establishing the Treasure Island Development Project; renting Treasure Island facilities leased from the U.S. Navy to generate revenues sufficient to cover operating costs; maintaining Treasure Island facilities owned by the U.S. Navy which are not leased to TIDA or the City; providing facilities for special events, film production and other commercial business uses; providing approximately 800 housing units; and overseeing the U.S. Navy's toxic remediation activities on the former naval base.

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station, Treasure Island (Development Plan). The Development Plan represented the culmination of nearly seven years of extensive public discourse about the future of Treasure Island, and was the product of the most extensive public review process for a large development project in the City's history. The Development Plan was endorsed by the TIDA Board and the San Francisco Board of Supervisors in December, 2006. In May 2010, the TIDA Board and Board of Supervisors both unanimously endorsed a package of legislation that included an Update to the Development Plan and Term Sheet, terms of an Economic Development Conveyance Memorandum of Agreement (EDC MOA Term Sheet), and a Term Sheet between TIDA and the Treasure Island Homeless Development Initiative (TIHDI). The 2006 endorsement and 2010 update of the Development Plan marked two very important milestones in the project, as they very specifically guided the enormous efforts undertaken since then to make the ambitious development plans for Treasure Island a reality. Together the updated Development Plan, the EDC MOA Term Sheet and the TIHDI Term Sheet formed the comprehensive vision for the future of the former military base and represented a major milestone in moving the project closer towards implementation.

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 regarding land uses, phasing, infrastructure, transportation, sustainability, housing, including affordable housing, jobs and equal opportunity programs, community facilities and project financing, and provide a holistic picture of the future development. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report as well as approved project entitlements. These project approvals were a key milestone in realizing a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring.

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On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 290 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. Demolition of existing structures on Yerba Buena Island will begin in December 2015 and the first phase of infrastructure construction should begin in the first quarter of 2016 with vertical construction beginning in 2017 and the first new homes ready for occupancy before the end of 2018. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

In July 2008, and amended several times over the intervening years, the Transportation Authority entered into a loan agreement with TIDA in the amount of \$11.0 million for the repayment of costs related to the Yerba Buena Island (YBI) Interchange Improvement Project. Under the terms of the agreement, TIDA will repay the Transportation Authority for all project costs incurred by the Transportation Authority and accrued interest, less federal government reimbursements to the Transportation Authority, if the federal grant funds do not become available for some or all of the project costs, or if the federal agency disallows the Transportation Authority's reimbursement claims on some or all of the project costs. Then TIDA bears the responsibility to repay the Transportation Authority for all costs incurred on the YBI Interchange Improvement Project for a total loan obligation amount not to exceed \$18.8 million. Interest shall accrue on all outstanding unpaid project costs until TIDA and federal agencies fully reimburse the Transportation Authority for all costs related to the project. Interest will be compounded quarterly, at the City Treasurer's Pooled Investment Fund rate or the Transportation Authority's borrowing rate, whichever is applicable, beginning on the date of the Transportation Authority's reimbursement claim to Caltrans until the Transportation Authority costs and all accrued interest has been repaid. The repayment to the Transportation Authority was structured to be paid by TIDA in three installments with the first installment equal to 50% of the current balance being due 30 days after the first close of escrow for transfer of the Naval Station Treasure Island to TIDA from the Navy. The second installment is due on the anniversary of the first installment in an amount of 50% of the then current balance, and a final payment of the remaining balance of the loan is due on December 31, 2016.

This loan is collateralized by the senior security interest in TIDA's right, title and interest in and to 1) the rents accruing under the Sublease, Development, Marketing and Property Management Agreement between TIDA and The John Stewart Company, related to the subleasing of existing residential units at the Naval Station Treasure Island; and 2) any and all other TIDA revenue, except revenue prohibited by applicable laws from being used for this purpose or is necessary for repayment of the annual amount of TIDA's pre-existing Hetch Hetchy utility obligation under the Memorandum of Understanding (MOU) between TIDA and Hetch Hetchy. Under the Disposition and Development Agreement between TIDA and Treasure Island Community Development, LLC (TICD), the master developer for Treasure Island and Yerba Buena Island, TICD is committed to fulfill TIDA's obligations under the loan agreement between TIDA and the Transportation Authority. On June 26, 2015, TICD made a payment directly to the Transportation Authority on TIDA's behalf in the amount of \$5.4 million.

As of June 30, 2015, TIDA has an outstanding balance in the amount of \$5.0 million on loan with the Transportation Authority and accrued \$0.5 million in interest. At June 30, 2015, TIDA has the following payables to other City departments:

Payable to	Purpose	Current	Noncurrent	Total
SFCTA	YBI Loan Agreement	\$ -	\$ 5,504	\$ 5,504
SFCTA	YBI and mobility management expenses	346	-	346
Hetch Hetchy	Utility operations under MOU	200	428	628
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		\$ 546	\$ 8,531	\$ 9,077

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(14) 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, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 5,848
Nonmajor Governmental Funds	General Fund	266
	Nonmajor Governmental Funds	2,168
	San Francisco Water Enterprise	79
	Municipal Transportation Agency	3,627
	San Francisco Wastewater Enterprise	19
	Internal Service Funds	175
		<u>6,334</u>
General Hospital Medical Center	Nonmajor Governmental Funds	26
Laguna Honda Hospital	Internal Service Funds	14
San Francisco Water Enterprise	General Fund	190
	Nonmajor Governmental Funds	7
		<u>197</u>
Hetch Hetchy Water and Power Enterprise	General Fund	175
	Nonmajor Governmental Funds	7,593
	General Hospital Medical Center	681
	San Francisco Wastewater Enterprise	1,523
	Port of San Francisco	172
		<u>10,144</u>
Municipal Transportation Agency	Nonmajor Governmental Funds	4,001
San Francisco Wastewater Enterprise	General Fund	8
	Nonmajor Governmental Funds	38
		<u>46</u>
Total		\$ 26,610

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, 2015, Hetch Hetchy loaned \$8.8 million to other City funds. Hetch Hetchy is also due \$1.3 million from the Wastewater Enterprise for its share of costs relating to 525 Golden Gate Headquarters project for equipment.

The SFMTA has a receivable from nonmajor governmental funds of \$4.0 million for capital and operating grants.

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Due from component units:

Receivable Entity	Payable Entity	Amount
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	\$ 200 (1)
Nonmajor Governmental Funds	Component unit – TIDA	346 (1)
General Fund	Successor Agency	948 (2)
Nonmajor Governmental Funds	Successor Agency	2,632 (2)
Municipal Transportation Agency	Successor Agency	13 (2)

Advance to component units:

Receivable Entity	Payable Entity	Amount
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	\$ 3,027 (1)
Nonmajor Governmental Funds	Component unit – TIDA	5,504 (1)
General Fund	Successor Agency	23,212 (2)
Nonmajor Governmental Funds	Successor Agency	14,249 (2)

(1) See discussion at Note 13.

(2) See discussion at Note 12(b) related to the Due to/Advances from the Primary Government.

Transfers Out:	Transfers In: Funds									
	General Fund	Nonmajor Govern-mental Funds	Internal Services Funds	Water Enterprise	Hetchy Water and Power Enterprise	Municipal Transportation Agency	San Francisco General Hospital Medical Center	Port of San Francisco	Laguna Honda Hospital	Total
General Fund.....	\$ -	\$ 301,239	\$ 80	\$ 15	\$ -	\$ 344,584	\$ 155,038	\$ -	\$ 72,785	\$ 873,741
Nonmajor governmental funds.....	20,357	70,099	70	52,128	2,075	42,449	-	167	-	187,345
Internal Services Funds.....	142	-	-	-	-	-	-	-	-	142
San Francisco International Airport.....	40,480	-	-	-	-	-	-	-	-	40,480
Water Enterprise.....	-	1,148	-	-	-	-	-	-	-	1,148
Hetch Hetchy Water and Power Enterprise.....	-	-	-	-	-	-	-	-	-	-
Municipal Transportation Agency.....	-	32	-	-	-	-	-	-	-	32
San Francisco General Hospital Medical Center.....	100	13,976	-	-	-	-	-	-	-	14,076
Port of San Francisco.....	103,586	232	-	-	-	-	-	-	-	103,818
Laguna Honda Hospital.....	37	4,789	-	-	-	-	-	-	-	4,826
Total transfers out	\$ 164,712	\$ 391,575	\$ 130	\$ 52,143	\$ 2,075	\$ 387,033	\$ 155,038	\$ 167	\$ 72,844	\$ 1,225,737

The \$873.7 million General Fund transfer out includes a total of \$572.4 million in operating subsidies to SFMTA, SFGH, and LHH (note 11). The transfer of \$301.2 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 Funds, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are to provide support for various City programs and to provide resources for the payment of debt service.

The \$20.4 million nonmajor governmental funds transfer to the General Fund represents \$10.1 million reimbursements from Caltrans on the 4th Street Bridge project, \$7.1 million from the public library operating surplus, \$2.2 million in reimbursements from grants to the fire department, and \$1.0 million in interest transfers.

San Francisco International Airport transferred \$40.5 million to the General Fund, representing a portion of concession revenues (note 11(a)). The General Fund received transfers in of \$102.0 million from SFGH for the Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Program

intergovernmental transfers matching program reimbursement and \$1.6 million for interest earned by the SFGH but credited to the General Fund (note 11(g)).

SFMTA received \$42.4 million transfers from nonmajor governmental funds, of which \$26.6 million was for capital activities, \$12.2 million was for operating activities, and \$3.6 million to fund various street improvement projects. In turn, the SFMTA transferred \$14.0 million to nonmajor governmental funds to pay for various street improvement projects.

The Water Enterprise received \$52.1 million from transfers in, of which included \$51.1 million in general obligation bond proceeds for the Auxiliary Water Supply System Earthquake Safety and Emergency Response project and \$1.0 million from the San Francisco Recreation and Parks Department as the final payment for the acquisition of the 17th and Folsom Street property. On the other hand, the Water Enterprise transferred \$1.1 million to the San Francisco Recreation and Parks Department for water saving improvements at Alamo Square Park.

Laguna Honda Hospital transferred \$4.8 million of Senate Bill No. 1128 Medi-Cal reimbursement to nonmajor governmental funds for debt service payments on its facility.

(15) COMMITMENTS AND CONTINGENT LIABILITIES

(a) Grants and Subventions

Receipts from federal and state grants and other similar programs are subject to audit to determine if the monies were expended in accordance with appropriate statutes, grant terms and regulations. The City believes that the Airport subsequent to an initial audit by the U.S. Department of Transportation Office of Inspector General Office of Investigations began and is continuing a review of the American Recovery and Reinvestment Act and other Airport and Improvement grants received by the Airport and has to date identified approximately \$0.9 million of additional non-qualifying expenditures that the Airport will repay. The review and audit with respect to these and other grants continues and the Airport may need to repay additional grant amounts it has received.

(b) Operating Leases

The City has noncancelable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Primary Government Governmental Activities

Fiscal Years	
2016.....	\$ 36,944
2017.....	35,601
2018.....	30,816
2019.....	23,504
2020.....	20,025
2021-2025.....	57,182
2026-2030.....	2,965
2031-2035.....	377
	<u>\$ 207,414</u>

Operating leases expense incurred for fiscal year 2014-15 was approximately \$28.6 million.

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Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	Municipal Transportation Agency	Total Business-Type Activities
2016	\$ 162	\$ 2,846	\$ 11,778	\$ 14,786
2017	87	2,753	10,393	13,233
2018	87	2,753	10,658	13,498
2019	-	2,753	11,006	13,759
2020	-	2,753	11,001	13,754
2021-2025	-	13,764	57,719	71,483
2026-2030	-	13,764	65,824	79,588
2031-2035	-	13,764	64,687	78,451
2036-2040	-	13,764	59,097	72,861
2041-2045	-	13,764	68,032	81,796
2046-2050	-	11,241	-	11,241
Total	\$ 336	\$ 93,919	\$ 370,195	\$ 464,450

Operating lease expense incurred for the Airport, Port, and SFMTA for fiscal year 2014-15 was \$0.2 million, \$2.9 million, and \$16.1 million, respectively.

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

Primary Government

Governmental Activities

Fiscal Years	Total
2016	\$ 2,471
2017	2,386
2018	1,730
2019	684
2020	582
2021-2025	1,250
2026-2030	533
2031-2035	50
Total	\$ 9,686

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	San Francisco General Hospital	Municipal Transportation Agency	Total Business-Type Activities
2016	\$ 97,139	\$ 38,496	\$ 1,469	\$ 3,667	\$ 140,771
2017	93,117	30,469	1,513	3,036	128,135
2018	75,966	27,629	1,598	2,860	108,013
2019	37,894	24,482	1,605	2,519	66,500
2020	14,667	23,735	1,653	1,680	41,735
2021-2025	34,861	97,878	9,040	8,025	149,804
2026-2030	-	79,236	-	6,315	85,551
2031-2035	-	72,413	-	6,250	78,663
2036-2040	-	45,979	-	6,250	52,229
2041-2045	-	35,893	-	6,250	42,143
2046-2050	-	28,071	-	6,250	34,321
2051-2055	-	16,648	-	6,250	22,898
2056-2060	-	15,727	-	833	16,560
2061-2065	-	11,545	-	-	11,545
2066-2070	-	5,616	-	-	5,616
2071-2075	-	4,522	-	-	4,522
2076-2080	-	310	-	-	310
Total	\$ 353,644	\$ 558,649	\$ 16,838	\$ 60,195	\$ 989,316

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 \$29.5 million and \$17.8 million, respectively, in fiscal year 2014-15. The Airport also exercised a new five-year car rental lease agreement option effective January 1, 2014. Under this agreement the rental car companies will pay 10% of gross revenues or a minimum guaranteed rent whichever is higher, also in accordance with the terms of their concession agreement, the minimum annual guarantee (MAG) for the rental car operators does not apply if the actual enplanements achieved during a one-month period is less than 80% of the actual enplanements of the same reference month in the reference year, and such shortfall continues for three consecutive months. The MAG attributable to the rental car companies was approximately \$43.2 million for fiscal year 2014-15.

Other Commitments

The Retirement System has commitments to contribute capital for real assets and private equity investments in the aggregate amount of approximately \$2.6 billion at June 30, 2015.

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.

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(16) 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, subject to a deductible of \$10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a deductible of \$500 per single occurrence. The Airport carries public officials liability and employment practices liability coverage of \$5.0 million, subject to a deductible of \$100 per single occurrence for each wrongful act other than employment practices' violations, and \$250 per each occurrence for each employment practices' violation. The Airport also carries insurance for public employee dishonesty, line arts, electronic data processing equipment and aircraft liability for Airport fire and rescue vessels and target range liability for San Francisco Police Department firearms range located at the Airport. The Airport has no liability insurance coverage for losses due to land movement or seismic activity, war, terrorism and hijacking.

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 \$3.5 million, subject to a deductible of \$100 per occurrence; 3) commercial property insurance for losses up to the insured appraised value of Port facilities, subject to a maximum of \$1.0 billion and a deductible of \$750 per occurrence; and 4) public officials and employee liability coverage of \$5.0 million, subject to a deductible of \$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. Tenants whose operations pose a significant environmental risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA's general policy is to first evaluate self-insurance for the risks of loss to which it is exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

Risks	Coverage
a. General/transit liability	Self-insured
b. Property	Self-insured and purchased insurance
c. Workers' Compensation	Self-insured
d. Employee (transit operators)	Purchased insurance
e. Directors and Officers	Purchased insurance

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately \$3.0 million. As of June 30, 2015, the reserve was \$17.7 million. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
 June 30, 2015
 (Dollars in Thousands)

The SFMTA purchases property insurance on scheduled facilities, Breda light rail cars, and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per a Memorandum of Understanding with the Transport Workers Union and has purchased insurance to cover errors and omissions of its board members and senior management.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. Expenditures and liabilities for all workers' compensation claims and other estimated claims payable are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other legal and economic factors. The recorded liabilities have not been discounted.

Estimated Claims Payable

Numerous lawsuits related to the governmental fund types are pending or threatened against the City. The City's liability as of June 30, 2015 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, 2013, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2013-2014	\$ 174,592	\$ 121,586	\$ (49,109)	\$ 247,059
2014-2015	247,059	87,834	(70,063)	264,830

Breakdown of the estimated claims payable at June 30, 2015 is follows:

Governmental Activities	
Current portion of estimated claims payable	\$ 52,797
Long-term portion of estimated claims payable	104,863
Total	\$ 157,660
Business-type Activities	
Current portion of estimated claims payable	\$ 50,390
Long-term portion of estimated claims payable	56,780
Total	\$ 107,170

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2015 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, 2015 was \$395.6 million which is reported in the appropriate individual funds in accordance with the City's accounting policies.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
 June 30, 2015
 (Dollars in Thousands)

Changes in the reported accrued workers' compensation since July 1, 2013, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2013-2014	\$ 377,776	\$ 78,663	\$ (72,563)	\$ 383,876
2014-2015	383,876	94,397	(82,699)	395,574

Breakdown of the accrued workers' compensation liability at June 30, 2015 is as follows:

Governmental Activities	Business-type Activities
Current portion of estimated claims payable.....	Current portion of estimated claims payable.....
Long-term portion of estimated claims payable.....	Long-term portion of estimated claims payable.....
Total.....	Total.....
\$ 36,046	\$ 28,188
\$ 185,638	\$ 143,702
\$ 223,684	\$ 171,890

(17) SUBSEQUENT EVENTS

(a) Long-term Debt Issuance

In July 2015, the City issued \$32.5 million taxable and \$57.4 million tax-exempt commercial paper (CP) with interest rates at 0.12% and 0.06%, respectively to refund maturing CP. The CP was issued to provide interim funding for the War Memorial Veterans Building seismic retrofit project and the rebuilding of distressed public housing sites to increase affordable housing (HOPE SF). The above CP was refinanced on July 28, 2015 by issuing \$15.6 million taxable and \$1.6 tax-exempt CP which bear interest rates at 0.18% and 0.04%, respectively and matured on September 1, 2015.

In July 2015, the City issued Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements) Series 2015A in the amount of \$112.1 million and Series 2015B in the amount of \$22.2 million (the Certificates). The proceeds of the Certificates will be used to finance the seismic retrofit, improvement or rehabilitation of the War Memorial Veterans Building and related property owned by the City and located at 401 Van Ness Avenue, fund capitalized interest payable with respect to the Certificates through September 22, 2015, fund the Reserve Account of the Reserve Fund established under the Trust Agreement for the Certificates and pay the cost of issuance of the Certificates. The proceeds were also used to retire portion of the CP which was issued for the same purpose. Series 2015A bears interest rates of 4.0% and 5.0% and matures from April 2023 through April 2045. Series 2015B bears interest rates ranging from 2.0% to 4.0% and matures from April 2016, through April 2024.

In July 2015, the City issued General Obligation Bonds Series 2015B (Transportation and Road Improvement) in the amount of \$67.0 million to construct, redesign, and rebuild streets and sidewalks, and to make infrastructure repairs and improvements that increase Muni service reliability, ease traffic congestion, reduce vehicle travel times, enhance pedestrian and bicycle safety and improve disability access and to pay certain costs related to the issuance of the Series 2015B bonds. The bonds mature from June 2016 through June 2035 with interest rates ranging from 2.0% to 5.0%. Debt service payments for the bonds are funded through ad valorem taxes on property.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
 June 30, 2015
 (Dollars in Thousands)

In July 2015, Hetch Hetchy Power redeemed \$2.5 million of taxable New Clean Renewable Energy Bonds related to the April 2012 issuance of \$6.6 million to be spent within three years. The unspent proceeds are due to the completion of a solar project and the cancellation of a hydro project.

In August 2015, the City issued by private placement, General Obligation Bonds Series 2015A, (1992 Seismic Safety Loan Program) in the amount of \$24.0 million. The proceeds of the bonds will be used to provide funds for loans for seismic strengthening of privately-owned unreinforced masonry buildings within the City and for related administrative costs. The Series 2015A bonds bears variable interest rate and matures from June 2019 through June 2035. Debt service payments for the bonds are funded through ad valorem taxes on property and debt payments from borrowers of the loan program.

In August 2015, the City issued \$34.3 million tax-exempt and \$3.7 million taxable CP with interest rates at 0.03% to 0.5% and 0.15% and maturity of September 22, 2015 and November 10, 2015, respectively. The CP were issued to provide interim funding for the Moscone Expansion project, real property acquisition at 900 Innes Avenue, acquisition of furniture, fixtures and equipment of the San Francisco General Hospital and partial pay down of CP issued for the War Memorial Veterans Building project.

In September 2015, the City refinanced \$17.1 million maturing CP by issuing \$1.6 million tax-exempt and \$15.5 million taxable CP that bear interest rates at 0.02% and 0.19%, respectively and scheduled to mature on October 1, 2015. The CP issued on August 13, 2015 was also refinanced by the City in September 2015 with \$38.8 million tax-exempt CP with interest rate at 0.04% and maturity of December 3, 2015.

In September 2015, the Airport authorized the issuance of an additional \$243.0 million of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) and \$225.0 million of San Francisco International Airport Special Facility Revenue Bonds to finance the development and construction of a new Airport-owned hotel and related AirTrain station. The Airport also designated the planned hotel as a "special facility" under the 1991 Master Resolution, which will allow the hotel revenues to be segregated from the Airport's other revenues and used to pay hotel operating expenses and debt service on the Hotel Special Facility Bonds. In order to obtain the lowest cost of financing, the Airport does not plan to sell the Hotel Special Facility Bonds to investors, but will purchase them itself with a portion of the proceeds of the Capital Plan Bonds, which will be sold to investors. The total net proceeds of the two bond issuances are expected to be approximately \$243.0 million, which will be applied to the \$225.0 million construction costs of the hotel and AirTrain station, capitalized interest and other costs of issuance. The bonds require the approval of the City's Board of Supervisors before they can be issued.

The San Francisco Wastewater Enterprise is authorized to issue up to \$500.0 million in commercial paper, with \$100.0 million issued as of June 30, 2015. In September 2015, an additional \$35.0 million of commercial paper was issued for the Sewer System Improvement Program projects, totaling \$135.0 million issued against the authorization.

In October 2015, Hetch Hetchy Power issued \$4.1 million federal tax subsidy bonds to fund two new solar energy facilities.

In October 2015, the City paid down \$10.7 million taxable and refinanced \$6.4 million maturing CP by issuing \$1.6 million tax-exempt and \$4.8 million taxable CP that bear interest rate at 0.03% and 0.25% respectively. The City also issued \$5.0 million tax-exempt CP with interest rate at 0.02% for additional short-term funding of the Moscone Expansion District project. The three CP notes are scheduled to mature on December 3, 2015.

In October 2015, the City issued Refunding Certificates of Participation Series 2015-R1 (City Office Buildings-Multiple Properties Project) for \$123.6 million. The proceeds of the Series 2015-R1 certificates will be used to refund certain outstanding Certificate of Participation Series 2007A (City Office Buildings-Multiple Properties Project) and to pay costs of execution and delivery of the Series

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)

June 30, 2015
(Dollars in Thousands)

2015-R1 certificates. The Series 2015-R1 certificates mature from September 2016 through September 2040 and bear interest rates of 4.0% and 5.0%. The refunding resulted in the recognition of deferred accounting loss of \$2.5 million and reduced the aggregate debt service payment by \$18.1 million over 26 years and obtained net present value savings of 9.0% over refunded bonds.

(b) Credit Rating Changes

In September 2015, Fitch upgraded the credit rating on the Airport Special Facilities Lease Revenue Bonds (SFO Fuel Company LLC) Series 1997A, and San Francisco International Airport 1997 Special Facilities Lease Revenue Bonds (SFO Fuel Company LLC), Series 2000A, from "BBB+" to "A-" (Stable Outlook).

(c) Transportation Changes

In November 2014, voters of the City approved Proposition B, which amended the San Francisco Charter to require the City to increase the base contribution to the SFMTA by a percentage equal to the City's annual population increase, taking into account daytime and nighttime population as determined by the City Controller's Office. Proposition B requires the SFMTA to use 75% of any population-based increases in the Base Amount to improve SFMTA's reliability, frequency of service and capacity, and to pay for transit state of good repair. The other 25% would be used for capital expenditures to improve street safety. The SFMTA received \$25.9 million in fiscal year 2016 from the new General Fund allocation based on population growth.

The Board of Supervisors has pending before it, legislation that would amend the City's Planning Code by establishing a new Section 411A, imposing a citywide transportation fee, the Transportation Sustainability Fee (TSF). The TSF if approved, will replace the current Transit Impact Development Fee (TIDF), and will apply to additional types of development and cover a larger universe of transportation projects. The amended legislation will require sponsors of development projects to pay a fee that is reasonably related to the financial burden such projects impose on the City's transportation network. In November 2015, the Board of Supervisors is evaluating the proposed legislation.

(d) Elections

On November 3, 2015 the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Proposition A – An ordinance that would allow the City to borrow up to \$310.0 million by issuing general obligation bonds to build, buy, improve and rehabilitate affordable housing in San Francisco.

Proposition B – A Charter amendment that would allow each parent to take maximum amount of paid parental leave for which they qualify for the birth, adoption or foster parenting of the same child, if both parents are City employees; and provide City employees the opportunity to keep up to 40 hours of sick leave at the end of paid parental leave.

Proposition C – An ordinance that would require expenditure lobbyists to register with the Ethics Commission, pay a five hundred dollar registration fee, and file monthly disclosures regarding their lobbying activities. Employees of nonprofit organizations would not be subject to the five hundred dollar registration fee. The ordinance would also allow the City to change these requirements without further voter approval if the change would further the purposes of the ordinance. The Ethics Commission would be required to approve the changes by a four-fifths vote, and the Board of Supervisors would be required to approve them by a two-thirds vote. Voters would retain the right to amend the ordinance.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)

June 30, 2015
(Dollars in Thousands)

Proposition J – An ordinance that would create a Legacy Business Historic Preservation Fund which would give grants to legacy businesses and to building owners who lease property to those businesses for at least 10 years. Legacy businesses could receive an annual grant of up to five hundred dollar per full-time equivalent employee in San Francisco. Building owners who lease space in San Francisco buildings to legacy businesses for terms of at least 10 years could receive an annual grant of up to \$4.50 per foot of leased space. Proposition J would also expand the definition of Legacy Business to include businesses and nonprofits that have operated in San Francisco for more than 20 years, have significantly contributed to the history or identity of a neighborhood and, if not included in the Registry, would face a significant risk of displacement because of increased rents or lease terminations.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedule of the City's Proportionate Share of the Net Pension Liability
 June 30, 2015 *
 (Dollars in Thousands)

	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority - Classic	Transportation Authority - PEPRCA	Successor Agency
Proportion of net pension liability	83.7829%	0.1829%	0.0208%	0.00003%	0.2550%
Proportionate share of the net pension liability (asset)	\$ 1,660,365	\$ (11,381)	\$ 1,297	\$ 2	\$ 15,870
Covered-employee payroll	\$ 2,582,622	\$ 311	\$ 3,097	\$ 167	\$ 6,695
Proportionate share of the net pension liability as a percentage of covered-employee payroll	64.29%	-3659.49%	41.88%	1.22%	237.04%
Plan fiduciary net position as a percentage of total pension liability	91.84%	80.43%	80.43%	80.43%	80.43%

Notes to Schedule:

SFERS Plan

Benefits - There were no changes in benefits during the year.

Changes in assumptions - In 2015, amounts reported as changes in assumptions resulted primarily from a change in the discount rate and a change in the Supplemental COLA assumption.

CalPERS Miscellaneous Plans

Benefits - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes in assumptions - There were no changes in assumptions.

* Fiscal year 2014-15 was the first year of the implementation of GASB Statement No. 68, therefore only one year of information is shown.



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CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Changes in the Net Pension Liability and Related Ratios

June 30, 2015 *
(Dollars in Thousands)

City CalPERS Safety Plan	2015
Total pension liability:	
Service cost.....	\$ 32,688
Interest on the total pension liability.....	76,177
Benefit payments, including refunds of employee contributions.....	(41,387)
Net change in total pension liability.....	67,478
Total pension liability, beginning.....	1,020,049
Total pension liability, ending.....	\$ 1,087,527
Plan fiduciary net position:	
Contributions from the employer.....	\$ 20,613
Contributions from employees.....	15,216
Net investment income (1).....	138,628
Benefit payments, including refunds of employee contributions.....	(41,387)
Net change in plan fiduciary net position.....	133,070
Plan fiduciary net position, beginning.....	787,301
Plan fiduciary net position, ending.....	\$ 920,371
Plan net pension liability, ending.....	\$ 167,156
Plan fiduciary net position as a percentage of the total pension liability.....	84.63%
Covered-employee payroll.....	\$ 117,772
Plan net pension liability as a percentage of the covered-employee payroll.....	141.93%

(1) Net of administrative expenses.

Notes to Schedule:

Benefit changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes in assumptions - There were no changes in assumptions.

* Fiscal year 2014-15 was the first year of the implementation of GASB Statement No. 68, therefore only one year of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions – Pension Plans

June 30, 2015 *
(Dollars in Thousands)

	For the year ended June 30, 2015				
	City SFERS Plan	City	Transportation Authority	Successor Agency	CalPERS Safety Plan
Actuarially determined contributions (1)	\$ 565,091	\$ 31	\$ 400	\$ 598	\$ 20,616
Contributions in relation to the actuarially determined contributions (1)	(565,091)	(31)	(400)	(598)	(20,616)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,723,515	\$ 327	\$ 3,737	\$ 6,477	\$ 122,221
Contributions as a percentage of covered-employee payroll	20.75%	9.48%	10.70%	9.23%	16.87%

(1) Contractually required contribution is an actuarial determined contribution for all cost-sharing plans.

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%
	0.00% to 15.00% depending on age, service, and type of employment

Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans

Valuation date.....	June 30, 2012
Actuarial cost method.....	Entry age normal cost method
Amortization method.....	Level percent of payroll
Remaining amortization period.....	7 years as of the valuation date (Miscellaneous Plan)
	25 years as of the valuation date (Safety Plan)
Asset valuation method.....	15 year smoothed market
Investment rate of return.....	7.50% (net of administrative expenses)
Projected salary increase.....	3.30% to 14.20% depending on age, service, and type of employment
Inflation.....	2.75%
Payroll growth.....	3.00%
Individual salary growth.....	A merit scale varying by duration of employment, coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

* Fiscal year 2014-15 was the first year of the implementation of GASB Statement No. 68, therefore only two years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Funding Progress and Employer Contributions
Other Postemployment Healthcare Benefits (Continued)

June 30, 2015
(Dollars in Thousands)

Schedule of Funding Progress – Successor Agency

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Liability (AAL)	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/09	\$ 493	\$ 13,790	\$ 13,790	(13,297)	3.6%	\$ 10,515	126.5%
06/30/11	1,856	14,390	14,390	(12,534)	12.9%	4,185	299.5%
06/30/13	2,154	11,378	11,378	(9,224)	18.9%	4,048	227.9%

⁽¹⁾ The actuarial valuation report is conducted once every two years.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Funding Progress and Employer Contributions
Other Postemployment Healthcare Benefits

June 30, 2015
(Dollars in Thousands)

The schedules of funding progress presented below provide consolidated snapshots of the entity's ability to meet current and future liabilities with plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the OPEB plans. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

Schedule of Funding Progress – City and County of San Francisco

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Liability (AAL)	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/08	\$ -	\$ 4,364,273	\$ 4,364,273	(4,364,273)	0.0%	\$ 2,296,336	190.1%
07/01/10 ⁽¹⁾	-	4,420,146	4,420,146	(4,420,146)	0.0%	2,393,930	184.6%
07/01/12	17,852	3,997,762	3,997,762	(3,979,910)	0.4%	2,457,633	161.9%

⁽¹⁾ As of July 1, 2010, the City set-aside approximately \$3.2 million in assets for the OPEB plan. However, the Retiree Health Care Trust Fund was not established until December 2010.

Schedule of Employer Contributions – City and County of San Francisco

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2013	\$ 408,735	39.2%
2014	341,377	48.8%
2015	350,389	47.7%

Schedule of Funding Progress – San Francisco County Transportation Authority

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Liability (AAL)	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/07/10	\$ 173	\$ 374	\$ 374	(201)	46.3%	\$ 2,858	7.0%
06/30/11 ⁽²⁾	405	671	671	(266)	60.4%	3,251	8.2%
06/30/13	760	1,124	1,124	(364)	67.6%	3,253	11.2%

⁽¹⁾ The actuarial valuation report is conducted once every two years.

⁽²⁾ As of June 30, 2012, the SFCTA complied with GASB Statement No. 57 and completed an OPEB actuarial valuation based on a common date of its trust account with CalPERS. CalPERS requires June 30 valuations to be prepared for each odd numbered year. As such, the SFCTA performed its latest actuarial valuation as of June 30, 2013.

**CITY AND COUNTY OF SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Building Inspection Fund – Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings. This fund shall be used by the Department of Building Inspection to defray the costs of the Bureau of Building Inspection in processing and reviewing permits applications and plans, filed inspections, code enforcement and reproduction of documents.

Children and Families Fund – Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

Community/Neighborhood Development Fund – Accounts for various grants primarily from the Department of Housing and Urban Development including federal grants administered by the former Redevelopment Agency to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

Community Health Services Fund – Accounts for state and federal grants used to promote public health and mental health programs.

Convention Facilities Fund – Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

Court's Fund – Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

Culture and Recreation Fund – Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

Environmental Protection Fund – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

Gasoline Tax Fund – Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

General Services Fund – Accounts for the activities of several non-grant activities, generally established by administrative action.

Gift and Other Expendable Trusts Fund – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

Golf Fund – Accounts for the revenue and expenditures related to the City's six golf courses.

Human Welfare Fund – Accounts for state and federal grants used to promote education and discourage domestic violence.

Low and Moderate Income Housing Asset Fund – Accounts for the former Redevelopment Agency's affordable housing assets upon its dissolution on January 31, 2012.



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CITY AND COUNTY OF SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (Continued)

Open Space and Park Fund – Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

Public Library Fund – Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

Public Protection Fund – Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

Public Works, Transportation and Commerce Fund – Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

Real Property Fund – Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

San Francisco County Transportation Authority Fund – Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

Senior Citizens' Program Fund – Accounts for grant revenues from the federal and state government to be used to promote the well-being of San Francisco senior citizens.

War Memorial Fund – Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

General Obligation Bond Fund – Accounts for property taxes and other revenues, (including the tobacco settlement revenues in excess of the \$100 million required to fund the Laguna Honda Hospital construction project) for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

Certificates of Participation (COP) Funds – Accounts for Base Rental payments from the various Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

Other Bond Funds – Accounts for funds and debt service for the revolving fund loans operated and managed by the Mayor's Office of Community Development to assist with economic development efforts in low income neighborhoods (Facade Improvement Program) and for loans under the U.S. Department of Housing and Urban Development section 108 of the Housing and Community Development Act of 1974 (Fillmore Renaissance Center and Boys and Girls Club Hunters' Point Clubhouse) and the Asphalt Plant Expansion Loan.

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.

Earthquake Safety Improvement Fund – Accounts for bond proceeds, Federal/State grants and private gifts which are designated for earthquake facilities improvements to various City buildings and facilities. Expenditures for construction are made in accordance with bond requirements and grant regulations.

Fire Protection Systems Improvement Fund – Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

Moscone Convention Center Fund – Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

Public Library Improvement Fund – Accounts for bond proceeds and private gifts which are designated for construction of public library facilities. Expenditures for construction are made in accordance with bond requirements and private funds agreements.

Recreation and Park Projects Fund – Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

Street Improvement Fund – Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Bequest Fund – Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds
 June 30, 2015
 (In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Assets:					
Deposits and investments with City Treasury.....	\$ 863,894	\$ 99,588	\$ 337,039	\$ 7,479	\$ 1,308,000
Deposits and investments outside City Treasury.....	45,501	29,958	23,200	-	98,659
Receivables:					
Property taxes and penalties.....	5,065	7,077	-	-	12,142
Federal and state grants and subventions.....	28,509	-	-	-	28,509
Other local taxes.....	91,696	-	4,489	-	96,185
Charges for services.....	14,971	-	6,355	-	21,326
Interest and other.....	2,725	244	352	6	3,327
Due from other funds.....	4,288	-	2,046	-	6,334
Due from component unit.....	2,942	-	36	-	2,978
Advance to component unit.....	19,753	-	-	-	19,753
Loans receivable (net of allowance for uncollectible amounts).....	73,140	-	-	-	73,140
Other assets.....	7,570	-	-	-	7,570
Total assets.....	\$ 1,160,054	\$ 136,867	\$ 373,527	\$ 7,485	\$ 1,677,933
Liabilities:					
Accounts payable.....	\$ 80,855	\$ 3	\$ 55,836	\$ 45	\$ 136,739
Accrued payroll.....	10,951	-	1,116	-	12,067
Unearned grant and subvention revenue.....	12,883	-	519	-	13,402
Due to other funds.....	10,753	35	8,893	-	19,681
Unearned revenues and other liabilities.....	40,682	9,976	3,148	-	53,806
Bonds, loans, capital leases, and other payables.....	6,118	-	151,648	-	157,766
Total liabilities.....	162,242	10,014	221,160	45	393,461
Deferred inflows of resources.....	125,583	5,566	9,576	-	140,725
Fund balances:					
Nonspendable.....	329	-	-	-	329
Restricted.....	805,508	121,287	176,601	7,440	1,110,836
Assigned.....	66,740	-	-	-	66,740
Unassigned.....	(348)	-	(33,810)	-	(34,158)
Total fund balances.....	872,229	121,287	142,791	7,440	1,143,747
Total liabilities, deferred inflows of resources and fund balances.....	\$ 1,160,054	\$ 136,867	\$ 373,527	\$ 7,485	\$ 1,677,933

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2015
 (In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes.....	\$ 142,360	\$ 227,176	\$ -	\$ -	\$ 369,536
Business taxes.....	2,318	-	-	-	2,318
Sales and use tax.....	100,278	-	-	-	100,278
Licenses, permits, and franchises.....	15,170	-	-	-	15,170
Fines, forfeitures, and penalties.....	6,745	15,040	-	-	21,785
Interest and investment income.....	9,004	1,149	2,512	51	12,716
Rents and concessions.....	73,034	705	-	713	74,763
Intergovernmental:					
Federal.....	220,632	-	14,130	-	234,762
State.....	128,006	801	1,890	-	130,697
Other.....	12,470	-	151	-	12,621
Charges for services.....	144,008	-	-	-	144,008
Other.....	109,875	3,730	798	40	114,443
Total revenues.....	963,900	248,601	19,792	804	1,233,097
Expenditures:					
Current:					
Public protection.....	61,752	-	-	-	61,752
Public works, transportation and commerce.....	206,547	-	-	-	206,547
Human welfare and neighborhood development.....	309,057	-	-	-	309,057
Community health.....	103,091	-	-	-	103,091
Culture and recreation.....	232,675	-	-	-	232,675
General administration and finance.....	42,675	-	-	-	42,675
General City responsibilities.....	38	-	-	-	38
Debt service:					
Principal retirement.....	-	200,487	-	-	200,487
Interest and other fiscal charges.....	2,245	117,830	1,296	-	121,371
Bond issuance costs.....	-	1,606	1,128	-	2,734
Capital outlay.....	-	-	412,740	-	412,740
Total expenditures.....	958,080	319,933	415,164	899	1,694,076
Excess (deficiency) of revenues over (under) expenditures.....	5,820	(71,332)	(395,372)	(95)	(460,979)
Other financing sources (uses):					
Transfers in.....	286,143	77,064	28,868	-	392,075
Transfers out.....	(110,456)	-	(76,882)	(7)	(187,345)
Issuance of bonds and loans:					
Face value of bonds issued.....	-	293,910	155,620	-	449,530
Face value of loans issued.....	138,763	54,366	15,467	-	198,596
Payment to refund bond escrow agent.....	-	(359,225)	-	-	(359,225)
Other financing sources-capital leases.....	1,451	-	727	-	2,178
Total other financing sources (uses).....	313,901	66,115	123,300	(7)	503,309
Net changes in fund balances.....	319,721	(5,217)	(272,072)	(102)	42,330
Fund balances at beginning of year.....	552,508	126,504	414,863	7,542	1,101,417
Fund balances at end of year.....	\$ 872,229	\$ 121,287	\$ 142,791	\$ 7,440	\$ 1,143,747

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds

June 30, 2015
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund
Assets:						
Deposits and investments with City Treasury.....	\$ 136,101	\$ 115,011	\$ 232,207	\$ 36,061	\$ 28,484	\$ -
Deposits and investments outside City Treasury.....	4	-	4,094	-	-	-
Receivables:						
Property taxes and penalties.....	-	1,899	-	-	-	-
Other local taxes.....	-	8,212	12,389	24,414	-	-
Federal and state grants and subventions.....	350	2	-	9	1,984	143
Charges for services.....	120	107	518	26	-	-
Interest and other.....	-	-	2,653	-	-	-
Due from other funds.....	-	-	-	-	-	-
Due from component unit.....	-	-	-	-	-	-
Advance to component unit.....	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts).....	249	-	72,445	-	-	-
Other assets.....	-	-	514	-	-	-
Total assets.....	\$ 136,824	\$ 125,231	\$ 324,800	\$ 60,510	\$ 30,468	\$ 143
Liabilities:						
Accounts payable.....	\$ 3,207	\$ 18,946	\$ 9,166	\$ 12,415	\$ 1,184	\$ 6
Accrued payroll.....	1,123	440	457	1,018	14	-
Unearned grant and subvention revenues.....	-	764	734	3,459	-	-
Due to other funds.....	-	-	-	439	-	87
Unearned revenues and other liabilities.....	22,733	2,680	459	782	1,493	-
Bonds, loans, capital leases, and other payables.....	-	-	3,068	-	-	-
Total liabilities.....	27,063	22,830	13,884	18,113	2,691	93
Deferred inflows of resources.....	249	7,753	73,998	9,329	-	-
Fund balances:						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	105,512	94,648	233,297	33,068	27,777	50
Assigned.....	-	-	3,621	-	-	-
Unassigned.....	-	-	-	-	-	-
Total fund balances.....	105,512	94,648	236,918	33,068	27,777	50
Total liabilities, deferred inflows of resources and fund balances.....	\$ 136,824	\$ 125,231	\$ 324,800	\$ 60,510	\$ 30,468	\$ 143

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)

June 30, 2015
(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.....	\$ 12,553	\$ 1,627	\$ 24,061	\$ 19,147	\$ 13,686	\$ 3,551
Deposits and investments outside City Treasury.....	-	1,307	-	-	-	193
Receivables:						
Property taxes and penalties.....	518	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-
Federal and state grants and subventions.....	85	614	3,216	257	8	8
Charges for services.....	151	667	1,885	49	1,369	3
Interest and other.....	4	-	22	791	1	-
Due from other funds.....	-	47	-	-	-	-
Due from component unit.....	-	-	-	-	-	-
Advance to component unit.....	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts).....	-	-	-	-	-	-
Other assets.....	-	-	-	-	-	-
Total assets.....	\$ 13,311	\$ 3,595	\$ 27,966	\$ 22,080	\$ 13,937	\$ 4,923
Liabilities:						
Accounts payable.....	\$ 1,825	\$ 646	\$ 1,286	\$ 1,569	\$ 111	\$ 467
Accrued payroll.....	192	122	633	254	23	148
Unearned grant and subvention revenues.....	253	1,767	-	662	156	-
Due to other funds.....	-	-	-	-	-	-
Unearned revenues and other liabilities.....	1	-	1	125	-	-
Bonds, loans, capital leases, and other payables.....	-	-	-	-	-	-
Total liabilities.....	2,271	2,535	1,920	2,510	290	615
Deferred inflows of resources.....	28	67	-	117	-	-
Fund balances:						
Nonspendable.....	-	-	-	-	192	-
Restricted.....	8,330	973	26,034	8,035	13,455	-
Assigned.....	2,742	-	-	11,318	-	4,308
Unassigned.....	-	-	-	-	-	-
Total fund balances.....	11,072	973	26,034	19,353	13,647	4,308
Total liabilities, deferred inflows of resources and fund balances.....	\$ 13,311	\$ 3,595	\$ 27,966	\$ 22,080	\$ 13,937	\$ 4,923

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2015
(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.....	\$ -	\$ 38,188	\$ 31,049	\$ 39,842	\$ 28,258	\$ 44,378
Deposits and investments outside City Treasury.....	-	-	12	-	-	26
Receivables:						
Property taxes and penalties.....	-	-	1,583	1,583	-	-
Other local taxes.....	-	-	-	-	18,414	111
Federal and state grants and subventions.....	6,482	1,889	-	10	3,190	3,869
Charges for services.....	203	23	26	37	138	-
Interest and other.....	-	-	-	-	-	254
Due from other funds.....	-	1,773	-	-	-	823
Due from component unit.....	-	14,249	-	-	-	-
Advance to component unit.....	-	446	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts).....	86	4,168	208	-	-	2,457
Other assets.....	\$ 6,751	\$ 59,936	\$ 32,676	\$ 41,472	\$ 50,001	\$ 51,918
Total assets.....	\$ 1,723	\$ 1,251	\$ 433	\$ 2,900	\$ 4,630	\$ 1,949
Liabilities:						
Accounts payable.....	34	33	665	2,132	694	1,952
Accrued payroll.....	109	-	-	-	4,918	-
Unearned grant and subvention revenues.....	3,628	-	-	2,807	60	116
Due to other funds.....	-	2,701	2,235	-	-	4,500
Unearned revenues and other liabilities.....	-	-	3,050	-	-	-
Bonds, loans, capital leases, and other payables.....	5,694	3,985	6,383	7,839	10,302	8,487
Total liabilities.....	201	14,695	1,257	1,257	6,164	3,139
Deferred inflows of resources.....	-	-	-	-	-	-
Fund balances:						
Nonspendable.....	95	41,266	25,238	31,197	30,710	296
Restricted.....	761	-	-	1,179	2,825	38,966
Assigned.....	-	-	-	-	-	-
Unassigned.....	856	41,266	25,238	32,376	33,635	40,282
Total fund balances.....	\$ 6,751	\$ 59,936	\$ 32,676	\$ 41,472	\$ 50,001	\$ 51,918
Total liabilities, deferred inflows of resources and fund balances.....	\$ 6,751	\$ 59,936	\$ 32,676	\$ 41,472	\$ 50,001	\$ 51,918

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2015
(In Thousands)

	Real Property Fund	San Francisco County Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Assets:					
Deposits and investments with City Treasury.....	\$ 3,256	\$ 44,081	\$ -	\$ 12,353	\$ 863,884
Deposits and investments outside City Treasury.....	419	38,928	-	-	45,501
Receivables:					
Property taxes and penalties.....	-	-	-	-	5,065
Other local taxes.....	-	28,509	-	-	28,509
Federal and state grants and subventions.....	-	16,954	580	-	91,696
Charges for services.....	1	-	-	-	14,971
Interest and other.....	-	901	-	7	2,725
Due from other funds.....	63	1,271	-	-	4,288
Due from component unit.....	-	346	-	-	2,942
Advance to component unit.....	-	5,504	-	-	19,753
Loans receivable (net of allowance for uncollectible amounts).....	-	-	-	-	73,140
Other assets.....	-	137	-	-	7,570
Total assets.....	\$ 3,739	\$ 136,631	\$ 580	\$ 12,360	\$ 1,160,054
Liabilities:					
Accounts payable.....	\$ 1,330	\$ 15,277	\$ 420	\$ 102	\$ 80,855
Accrued payroll.....	647	171	27	252	10,951
Unearned grant and subvention revenues.....	-	-	41	-	12,883
Due to other funds.....	-	6,191	92	-	10,753
Unearned revenues and other liabilities.....	5	-	-	100	40,682
Bonds, loans, capital leases, and other payables.....	-	-	-	-	6,118
Total liabilities.....	1,982	21,639	580	454	162,242
Deferred inflows of resources.....	-	6,981	348	-	125,583
Fund balances:					
Nonspendable.....	-	137	-	-	329
Restricted.....	1,757	107,874	-	11,906	805,508
Assigned.....	-	-	-	-	66,740
Unassigned.....	-	-	(348)	-	(348)
Total fund balances.....	1,757	108,011	(348)	11,906	872,229
Total liabilities, deferred inflows of resources and fund balances.....	\$ 3,739	\$ 136,631	\$ 580	\$ 12,360	\$ 1,160,054

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, 2015
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund
Revenues:						
Property taxes.....	\$ 53,385	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	2,318	-	-	-
Sales and use tax.....	6,847	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	1	2,724	-	32
Fines, forfeitures, and penalties.....	839	512	4,029	196	162	-
Interest and investment income.....	-	-	406	-	26,340	-
Rents and concessions.....	-	-	-	-	-	-
Intergovernmental:						
Federal.....	-	8,813	46,572	59,544	-	-
State.....	-	16,412	10,341	44,922	-	-
Other.....	-	-	8,730	4,967	-	2,572
Charges for services.....	65,476	6	85,636	461	245	-
Other.....	8	569	156,297	112,834	26,747	2,604
Total revenues.....	72,970	79,691	156,297	112,834	26,747	2,604
Expenditures:						
Current:						
Public protection.....	61,341	-	12,471	78	857	373
Public works, transportation and commerce.....	-	-	-	-	-	-
Human welfare and neighborhood development.....	-	175,447	75,661	-	100	-
Community health.....	-	-	-	101,623	-	-
Culture and recreation.....	-	-	222	-	51,844	-
General administration and finance.....	-	-	2,274	-	523	-
General City responsibilities.....	-	-	-	-	-	-
Debt service:						
Interest and other fiscal charges.....	-	-	-	-	-	-
Total expenditures.....	61,341	175,447	90,628	101,701	53,324	373
Excess (deficiency) of revenues over (under) expenditures.....	11,629	(95,756)	65,669	11,133	(26,577)	2,231
Other financing sources (uses):						
Transfers in.....	-	136,661	844	-	41,727	5
Transfers out.....	(45)	(5)	(8,303)	(16)	(24,094)	(2,944)
Issuance of bonds and loans						
Face value of bonds issued.....	-	-	-	-	-	-
Other financing sources-capital leases.....	-	-	-	-	-	-
Total other financing sources (uses).....	(45)	136,656	(7,459)	(16)	17,633	(2,339)
Net changes in fund balances.....	11,584	40,902	58,200	11,117	(8,944)	(108)
Fund balances at beginning of year.....	97,928	53,746	178,718	21,951	36,721	158
Fund balances at end of year.....	\$ 109,512	\$ 94,648	\$ 236,918	\$ 33,068	\$ 27,777	\$ 50

(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, 2015
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Revenues:						
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Licenses, permits, and franchises.....	183	-	-	2,673	-	-
Fines, forfeitures, and penalties.....	71	-	146	62	178	20
Interest and investment income.....	385	-	-	1,221	61	4,180
Rents and concessions.....	-	-	-	-	-	-
Intergovernmental:						
Federal.....	9	323	-	18	-	-
State.....	152	5,928	32,163	56	-	-
Other.....	-	82	-	-	-	-
Charges for services.....	7,367	-	666	1,949	44	7,058
Other.....	941	519	2	1,345	9,037	-
Total revenues.....	9,108	6,852	32,977	7,324	9,220	11,258
Expenditures:						
Current:						
Public protection.....	-	-	-	199	29	-
Public works, transportation and commerce.....	2,006	-	28,799	63	145	-
Human welfare and neighborhood development.....	25	6,657	-	-	74	-
Community health.....	-	-	-	-	1,488	-
Culture and recreation.....	10,340	-	-	1,119	600	13,372
General administration and finance.....	11,976	10	-	2,799	86	-
General City responsibilities.....	-	-	-	38	-	-
Debt service:						
Interest and other fiscal charges.....	741	-	-	-	-	-
Total expenditures.....	25,088	6,667	29,799	4,218	2,462	13,372
Excess (deficiency) of revenues over (under) expenditures.....	(15,980)	185	3,178	3,106	6,658	(2,114)
Other financing sources (uses):						
Transfers in.....	17,033	158	1,613	193	-	4,962
Transfers out.....	(159)	-	(2,454)	(70)	(382)	(1,180)
Issuance of bonds and loans						
Face value of bonds issued.....	-	-	-	-	-	-
Other financing sources-capital leases.....	2,099	-	1,408	-	-	-
Total other financing sources (uses).....	18,973	158	567	123	(382)	3,782
Net changes in fund balances.....	2,993	343	3,745	3,229	6,476	1,668
Fund balances at beginning of year.....	8,079	630	22,289	16,124	7,171	2,640
Fund balances at end of year.....	\$ 11,072	\$ 973	\$ 26,034	\$ 19,353	\$ 13,647	\$ 4,308

(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, 2015
(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.....	\$ -	\$ -	\$ 44,487	\$ 44,488	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	504	-
Licenses, permits, and franchises.....	301	-	-	3,429	371	-
Fines, forfeitures, and penalties.....	10	1,604	98	175	158	325
Interest and investment income.....	-	3,461	-	9	-	89
Rents and concessions.....	-	-	-	-	10	44,389
Intergovernmental:	20,589	-	-	-	10	-
Federal.....	148	-	168	255	12,827	-
State.....	75	5,403	-	-	8	1,233
Other.....	350	-	-	759	14,086	29,659
Charges for services.....	26	11,012	-	242	-	466
Other.....	-	-	44,753	46,686	75,645	32,153
Total revenues.....	21,489	21,480	44,753	46,686	75,645	32,153
Expenditures:						
Current:						
Public protection.....	-	-	682	4,031	61,151	12,304
Public works, transportation and commerce.....	-	-	-	-	3,176	11,187
Human welfare and neighborhood development.....	22,910	7,038	-	100,522	-	3
Community health.....	-	-	43,319	-	110	32
Culture and recreation.....	-	-	82	-	2,171	-
General administration and finance.....	-	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-
Debt service:						
Interest and other fiscal charges.....	22,910	7,038	44,729	104,663	86,498	23,526
Total expenditures.....	(1,411)	14,442	624	(56,967)	9,145	8,627
Excess (deficiency) of revenues over (under) expenditures.....	2,707	1	1,180	67,740	(2,195)	1,035
Other financing sources (uses):						
Transfers in.....	-	-	-	(7,111)	-	(325)
Transfers out.....	-	-	-	-	-	-
Issuance of bonds and loans	-	-	-	-	-	-
Face value of loans issued.....	-	-	-	-	-	-
Other financing sources-capital leases.....	-	-	-	-	-	-
Total other financing sources (uses).....	2,707	1,180	60,629	(2,195)	-	710
Net changes in fund balances.....	1,296	14,443	1,804	1,662	6,950	9,337
Fund balances at beginning of year.....	(440)	26,813	23,034	30,714	26,585	30,945
Fund balances at end of year.....	\$ 856	\$ 41,256	\$ 25,238	\$ 32,376	\$ 33,535	\$ 40,282

(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, 2015
(In Thousands)

	Real Property Fund	San Francisco County Authority Fund	San Francisco County Transportation Program Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Revenues:						
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,360
Business taxes.....	-	-	-	-	-	2,318
Sales and use tax.....	-	-	100,278	-	-	100,278
Licenses, permits, and franchises.....	-	-	4,862	-	-	15,170
Fines, forfeitures, and penalties.....	-	-	-	-	-	6,745
Interest and investment income.....	-	-	463	1	82	9,004
Rents and concessions.....	34,557	-	-	-	2,376	73,034
Intergovernmental:						
Federal.....	-	34,804	5,561	-	-	220,632
State.....	-	3,799	835	-	-	128,006
Other.....	441	4,974	-	-	-	12,470
Charges for services.....	1,010	180	156	-	320	144,008
Other.....	-	-	-	-	-	109,875
Total revenues.....	36,013	149,360	6,553	2,778	-	963,900
Expenditures:						
Current:						
Public protection.....	-	-	-	-	-	61,752
Public works, transportation and commerce.....	312	81,627	-	-	821	206,547
Human welfare and neighborhood development.....	-	-	-	6,782	-	309,057
Community health.....	-	-	-	-	-	103,091
Culture and recreation.....	-	-	-	-	11,274	232,675
General administration and finance.....	22,612	-	-	-	-	42,675
General City responsibilities.....	-	-	-	-	-	38
Debt service:						
Interest and other fiscal charges.....	-	1,468	-	-	-	2,245
Total expenditures.....	22,924	83,095	6,782	12,095	-	956,060
Excess (deficiency) of revenues over (under) expenditures.....	13,089	66,265	(229)	(9,317)	-	5,820
Other financing sources (uses):						
Transfers in.....	58	-	14	-	10,212	286,143
Transfers out.....	(13,191)	(48,526)	-	-	(58)	(110,456)
Issuance of bonds and loans	-	-	-	-	-	-
Face value of loans issued.....	-	134,664	-	-	-	136,763
Other financing sources-capital leases.....	43	-	-	-	-	1,451
Total other financing sources (uses).....	(13,090)	86,138	14	-	10,154	313,901
Net changes in fund balances.....	(1)	152,403	(215)	-	837	319,721
Fund balances at beginning of year.....	1,758	(44,392)	(133)	-	11,069	552,508
Fund balances at end of year.....	\$ 1,757	\$ 108,011	\$ (348)	\$ -	\$ 11,906	\$ 872,229

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds

Year Ended June 30, 2015
(In Thousands)

	Building Inspection Fund			Children and Families Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
Revenues:							
Business taxes.....	\$ -	\$ -	\$ -	\$ 51,615	\$ 51,615	\$ 53,395	\$ 1,770
Sales and use tax.....	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	6,696	6,696	6,647	(46)	-	-	-
Fines, forfeitures, and penalties.....	559	559	794	235	378	502	79
Interest and investment income.....	-	-	-	-	-	-	-
Rents and concessions.....	-	-	-	-	-	-	-
Grants.....	-	-	-	-	-	-	-
Federal.....	-	-	-	-	-	8,813	(352)
State.....	-	-	-	10,406	9,165	16,831	(180)
Other.....	-	-	-	16,429	17,011	16,831	-
Charges for services.....	58,830	58,829	65,476	6,647	-	569	-
Other.....	66,065	66,064	72,925	6,841	79,628	80,100	1,317
Total revenues.....	132,550	132,552	149,242	75,506	148,631	167,695	19,114
Expenditures:							
Current:							
Public protection.....	92,312	67,941	61,341	6,600	-	-	-
Public works, transportation and commerce.....	-	-	-	-	-	-	-
Human welfare and neighborhood development.....	-	-	-	188,483	175,644	176,446	198
Community health.....	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-
General administration and finance.....	92,312	67,941	61,341	6,600	188,483	175,644	198
Total expenditures.....	184,624	135,882	122,682	13,683	194,127	192,090	198
Excess (deficiency) of revenues over (under) expenditures.....	(52,074)	(3,330)	26,540	(6,177)	(45,496)	(24,395)	(1,515)
Other financing sources (uses):							
Transfers in.....	-	-	-	-	93,315	136,661	136,661
Transfers out.....	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-
Total other financing sources (uses).....	-	-	-	93,315	136,661	136,661	136,661
Net changes in fund balances.....	(25,227)	(1,857)	11,594	13,441	(46,240)	41,315	1,515
Budgetary fund balances, July 1.....	25,227	97,827	97,827	16,240	59,481	59,481	1,515
Budgetary fund balances, June 30.....	\$ -	\$ 95,970	\$ 109,421	\$ 13,441	\$ 99,281	\$ 100,796	\$ 1,515

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2015
(In Thousands)

	Community Neighborhood Development Fund			Community Health Services Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
Revenues:							
Business taxes.....	\$ 1,000	\$ 1,000	\$ 2,318	\$ -	\$ -	\$ -	\$ -
Sales and use tax.....	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	2,373	2,373	2,724	351
Fines, forfeitures, and penalties.....	9	3,070	3,865	795	220	222	(44)
Interest and investment income.....	-	62	406	-	-	-	-
Rents and concessions.....	-	-	-	-	-	-	-
Grants.....	-	-	-	-	-	-	-
Federal.....	6,629	44,087	44,087	61,692	59,721	59,721	-
State.....	844	8,836	8,836	36,062	44,982	44,982	-
Other.....	6,400	6,400	8,730	2,330	100	4,967	22
Charges for services.....	19,077	66,603	63,636	15,033	273	481	481
Other.....	32,959	132,331	152,131	19,800	112,724	113,053	329
Total revenues.....	60,115	197,257	224,143	119,010	117,724	117,724	329
Expenditures:							
Current:							
Public protection.....	15,032	12,471	12,471	-	-	-	-
Public works, transportation and commerce.....	7,572	76,595	76,175	420	78	78	-
Human welfare and neighborhood development.....	-	-	-	-	-	-	-
Community health.....	7,053	222	222	103,720	101,622	101,622	-
Culture and recreation.....	4,588	2,302	2,302	-	-	-	-
General administration and finance.....	34,243	91,590	91,170	426	101,700	101,700	-
Total expenditures.....	68,488	183,281	183,340	104,166	102,478	102,478	-
Excess (deficiency) of revenues over (under) expenditures.....	(8,373)	14,976	40,803	14,844	15,246	15,246	329
Other financing sources (uses):							
Transfers in.....	1	560	560	-	-	-	-
Transfers out.....	(10)	(8,165)	(8,165)	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	(39)	(39)	-	-	-	-
Total other financing sources (uses).....	(9)	(7,605)	(7,605)	-	-	-	-
Net changes in fund balances.....	(1,225)	35,105	53,246	20,220	11,024	11,335	329
Budgetary fund balances, July 1.....	1,225	48,461	48,461	-	-	-	-
Budgetary fund balances, June 30.....	\$ -	\$ 226,567	\$ 245,607	\$ 20,220	\$ 42,691	\$ 42,691	\$ 329

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Convention Facilities Fund			Court's Fund			Variance		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Positive (Negative)	Actual	Positive (Negative)
Revenues:									
Business taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use tax.....	-	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	5	24	24	32	8	-	-
Interest and investment income.....	-	-	202	-	-	-	-	-	-
Rents and concessions.....	26,136	26,136	26,340	-	-	-	-	-	-
Grants.....	-	-	-	-	-	-	-	-	-
Federal.....	-	-	-	-	-	-	-	-	-
State.....	-	-	-	-	-	-	-	-	-
Other.....	-	-	-	2,794	2,794	2,572	(222)	-	-
Charges for services.....	150	150	245	95	-	-	-	-	-
Other.....	26,288	26,288	26,590	302	2,818	2,804	(214)	-	-
Total revenues.....	26,288	26,288	26,590	302	2,818	2,804	(214)	-	-
Expenditures:									
Public protection.....	-	-	-	2,818	474	388	106	-	-
Public works, transportation and commerce.....	-	856	856	-	-	-	-	-	-
Human welfare and neighborhood development.....	-	100	100	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-	-
Culture and recreation.....	77,970	55,914	51,844	4,070	-	-	-	-	-
General administration and finance.....	-	523	523	-	-	-	-	-	-
Total expenditures.....	77,970	57,393	53,323	2,818	474	388	106	-	-
Excess (deficiency) of revenues over (under) expenditures.....	(51,682)	(31,105)	(26,733)	4,372	2,344	2,236	(108)	-	-
Other financing sources (uses):									
Transfers in.....	41,727	41,727	41,727	-	-	-	-	-	-
Transfers out.....	-	(23,432)	(23,432)	-	(2,344)	(2,344)	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-	-
Loan repayments and other financing source (uses).....	(636)	(636)	(636)	-	-	-	-	-	-
Total other financing sources (uses).....	41,221	17,759	17,759	-	(2,344)	(2,344)	-	-	-
Net changes in fund balances.....	(10,461)	(13,315)	(8,164)	4,372	-	(108)	(108)	-	-
Budgetary fund balances, July 1.....	10,461	11,467	11,467	167	167	167	-	-	-
Budgetary fund balances, June 30.....	\$ -	\$ 26,152	\$ 32,542	\$ 4,372	\$ 167	\$ 39	\$ (108)	\$ -	\$ (108)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Culture and Recreation Fund			Environmental Protection Fund			Variance		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Positive (Negative)	Actual	Positive (Negative)
Revenues:									
Business taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use tax.....	-	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	335	184	183	(1)	-	-	(1)	-	-
Fines, forfeitures, and penalties.....	25	25	27	2	-	-	2	-	-
Interest and investment income.....	343	343	385	42	-	-	42	-	-
Rents and concessions.....	-	-	-	-	-	-	-	-	-
Grants.....	-	9	9	-	374	374	-	-	-
Federal.....	-	166	166	-	465	5,245	-	-	-
State.....	60	7,764	7,862	(402)	398	87	-	-	-
Other.....	7,605	7,605	941	(667)	1,519	2,642	524	-	(1,519)
Charges for services.....	800	1,608	941	(667)	1,519	2,642	524	-	(1,519)
Other.....	9,168	10,059	9,073	(1,026)	2,381	7,748	6,220	-	(1,519)
Total revenues.....	9,168	10,059	9,073	(1,026)	2,381	7,748	6,220	-	(1,519)
Expenditures:									
Current:									
Public protection.....	-	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	725	2,005	2,005	-	-	-	-	-	-
Human welfare and neighborhood development.....	-	25	25	-	2,181	8,173	6,657	-	1,516
Community health.....	-	-	-	-	-	-	-	-	-
Culture and recreation.....	11,500	10,619	10,340	279	-	-	-	-	-
General administration and finance.....	12,733	11,976	11,976	200	-	-	-	-	-
Total expenditures.....	24,958	24,625	24,346	279	2,381	8,183	6,657	-	1,516
Excess (deficiency) of revenues over (under) expenditures.....	(15,790)	(14,526)	(15,273)	(747)	(435)	(437)	(2)	-	(2)
Other financing sources (uses):									
Transfers in.....	16,840	17,033	17,033	-	-	158	-	-	-
Transfers out.....	-	(116)	(116)	-	-	-	-	-	-
Issuance of loans.....	-	2,089	2,089	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-	-
Budget reserves and designations.....	(6)	-	-	-	-	-	-	-	-
Loan repayments and other financing source (uses).....	(1,726)	(1,676)	(1,030)	646	-	-	-	-	-
Total other financing sources (uses).....	15,108	17,340	17,966	646	-	158	-	-	158
Net changes in fund balances.....	(652)	2,814	2,713	(101)	(277)	(279)	(2)	-	(2)
Budgetary fund balances, July 1.....	652	12,744	12,744	-	-	1,318	-	-	-
Budgetary fund balances, June 30.....	\$ -	\$ 15,558	\$ 15,457	\$ (101)	\$ -	\$ 1,041	\$ 1,039	\$ -	\$ (2)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Gasoline Tax Fund				General Services Fund				Variance Positive (Negative)
	Original Budget	Final Budget	Actual	Variance (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	
Revenues:									
Business taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use tax.....	-	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	2,974	2,974	2,974	2,974	2,673	(301)	
Fines, forfeitures, and penalties.....	41	42	147	105	45	45	61	16	
Interest and investment income.....	-	-	-	-	1,221	1,221	-	-	
Grants and concessions.....	-	-	-	-	-	-	-	-	
Interfund.....	-	-	-	-	-	-	-	-	
Federal.....	-	-	-	-	135	135	-	-	
State.....	34,692	35,152	32,163	(2,989)	-	56	56	56	
Other.....	800	800	666	(134)	2,368	2,362	1,949	(433)	
Charges for services.....	-	-	-	-	1,362	536	733	197	
Other.....	35,533	35,994	32,978	(3,016)	6,769	7,349	6,828	(521)	
Total revenues.....									
Expenditures:									
Capital.....									
Public protection.....	37,146	28,559	28,391	168	280	199	199	63	
Public works, transportation and commerce.....	-	-	-	-	-	63	63	-	
Human welfare and neighborhood development.....	-	-	-	-	-	-	-	-	
Community health.....	-	-	-	-	-	-	-	-	
Culture and recreation.....	-	-	1,119	1,119	-	-	1,119	-	
General administration and finance.....	37,146	28,559	28,391	168	6,635	2,970	2,870	-	
Total expenditures.....	(1,613)	7,425	4,567	(2,848)	(146)	3,098	2,577	(521)	
Excess (deficiency) of revenues over (under) expenditures.....									
Other financing sources (uses):									
Transfers in.....	1,613	1,613	1,613	-	159	155	155	-	
Transfers out.....	-	(2,454)	(2,454)	-	-	-	-	-	
Issuance of loans.....	-	-	-	-	-	-	-	-	
Issuance of commercial paper.....	-	-	-	-	(13)	-	-	-	
Budget reserves and designations.....	-	-	-	-	-	-	-	-	
Loan repayments and other financing source (uses).....									
Total other financing sources (uses).....	1,613	(841)	(841)	(2,848)	146	155	155	-	
Net changes in fund balances.....	6,594	3,116	3,116	(2,848)	3,253	3,232	3,232	(521)	
Budgetary fund balances, July 1.....	22,272	22,272	16,741	16,741	16,741	16,741	16,741	-	
Budgetary fund balances, June 30.....	\$ 28,866	\$ 26,016	\$ 20,016	\$ (2,848)	\$ 19,994	\$ 19,973	\$ 19,973	\$ (521)	

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Gift and Other Expendable Trusts Fund				Golf Fund				Variance Positive (Negative)
	Original Budget	Final Budget	Actual	Variance (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	
Revenues:									
Business taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use tax.....	-	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	174	178	4	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	10	12	2	20	20	-	
Interest and investment income.....	-	-	-	-	3,035	4,335	4,160	(195)	
Grants and concessions.....	-	-	-	-	-	-	-	-	
Interfund.....	-	-	-	-	-	-	-	-	
Federal.....	-	-	-	-	-	-	-	-	
State.....	-	-	-	-	-	-	-	-	
Other.....	-	35	44	9	6,727	6,227	7,059	831	
Charges for services.....	962	5,192	8,973	3,781	-	-	-	-	
Other.....	962	5,411	9,207	3,786	9,782	10,882	11,238	676	
Total revenues.....									
Expenditures:									
Capital.....									
Public protection.....	-	29	29	-	-	-	-	-	
Public works, transportation and commerce.....	-	145	145	-	-	-	-	-	
Human welfare and neighborhood development.....	481	73	73	-	-	-	-	-	
Community health.....	-	1,468	1,468	-	-	-	-	-	
Culture and recreation.....	481	661	661	-	13,564	13,675	13,372	303	
General administration and finance.....	-	86	86	-	-	-	-	-	
Total expenditures.....	962	2,462	2,462	-	13,564	13,675	13,372	303	
Excess (deficiency) of revenues over (under) expenditures.....									
Other financing sources (uses):									
Transfers in.....	-	2,949	6745	3,796	(3,782)	(3,693)	(2,114)	979	
Transfers out.....	-	(331)	(331)	-	4,962	4,962	4,962	-	
Issuance of loans.....	-	-	-	-	(1,180)	(1,180)	(1,180)	-	
Issuance of commercial paper.....	-	-	-	-	-	-	-	-	
Budget reserves and designations.....	-	-	-	-	-	-	-	-	
Loan repayments and other financing source (uses).....									
Total other financing sources (uses).....	(331)	2,618	6,741	3,796	3,782	3,782	3,782	-	
Net changes in fund balances.....	2,618	6,741	6,741	3,796	-	-	-	-	
Budgetary fund balances, July 1.....	7,233	7,233	7,233	-	2,641	2,641	2,641	-	
Budgetary fund balances, June 30.....	\$ 9,851	\$ 13,974	\$ 13,974	\$ 3,796	\$ -	\$ -	\$ -	\$ 9,851	

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2015
(In Thousands)

	Human Welfare Fund			Low and Moderate Income Housing Asset Fund			Variance		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Positive (Negative)	Positive (Negative)	Positive (Negative)
Revenues:									
Business taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use tax.....	-	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	220	220	301	81	-	-	81	-	-
Fines, forfeitures, and penalties.....	-	-	10	10	-	-	1,600	-	1,600
Interest and investment income.....	-	-	-	-	-	1,600	(2,089)	-	(2,089)
Grants and concessions.....	-	-	-	5,500	5,500	3,461	-	-	-
Interfund.....	-	-	-	-	-	-	-	-	-
Federal.....	25,978	19,051	19,051	-	-	-	-	-	-
State.....	265	140	140	-	-	-	-	-	-
Other.....	120	78	78	3,536	5,403	5,403	-	-	-
Charges for services.....	161	337	350	13	-	-	12,988	-	12,988
Other.....	352	25	25	-	-	-	-	-	-
Total revenues.....	27,096	19,851	19,955	10,4	10,903	23,452	1,111	12,549	12,549
Expenditures:									
Capital.....	-	-	-	-	-	-	-	-	-
Public protection.....	-	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	-	-	-	-	-
Human welfare and neighborhood development.....	29,795	22,886	22,884	2	6,831	6,931	-	-	-
Community health.....	-	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-	-
Total expenditures.....	29,795	22,886	22,884	2	6,831	6,931	-	-	-
Excess (deficiency) of revenues over (under) expenditures.....	(2,699)	(3,035)	(2,929)	106	3,972	16,521	12,549	-	-
Other financing sources (uses):									
Transfers in.....	-	-	-	-	-	-	-	-	-
Transfers out.....	2,681	2,681	2,681	-	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	2,681	2,681	2,681	-	-	-	-	-	-
Net changes in fund balances.....	(19)	(324)	(249)	106	3,972	16,521	12,549	-	-
Budgetary fund balances, July 1.....	16	1,302	1,302	26,756	26,756	26,759	-	-	-
Budgetary fund balances, June 30.....	\$ 97	\$ 978	\$ 1,053	\$ 27,862	\$ 30,728	\$ 43,280	\$ 4,530	\$ 12,549	\$ 12,549

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2015
(In Thousands)

	Open Space and Park Fund			Public Library Fund			Variance		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Positive (Negative)	Positive (Negative)	Positive (Negative)
Revenues:									
Business taxes.....	\$ 43,020	\$ 43,020	\$ 44,487	\$ 43,020	\$ 43,020	\$ 44,488	\$ 1,467	\$ 1,468	\$ 1,488
Sales and use tax.....	-	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	452	452	98	222	222	133	(354)	-	(89)
Interest and investment income.....	-	-	-	1,284	1,284	9	-	-	(1,275)
Grants and concessions.....	-	-	-	-	-	-	-	-	-
Interfund.....	-	-	-	-	-	-	-	-	-
Federal.....	-	-	-	-	-	10	-	-	10
State.....	170	170	168	(2)	257	255	(2)	-	(2)
Other.....	-	-	-	-	-	751	-	-	751
Charges for services.....	-	-	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-	-
Total revenues.....	43,642	43,642	44,753	45,497	45,544	45,654	1,111	45,654	110
Expenditures:									
Capital.....	-	-	-	-	-	-	-	-	-
Public protection.....	-	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	692	692	4,032	-	-	4,032
Human welfare and neighborhood development.....	-	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-	-
Culture and recreation.....	45,538	46,738	43,319	107,843	106,266	100,522	3,419	-	5,744
General administration and finance.....	-	-	-	82	82	110	-	-	28
Total expenditures.....	45,538	47,512	44,053	107,843	110,408	104,664	3,419	-	5,744
Excess (deficiency) of revenues over (under) expenditures.....	(1,896)	(3,870)	660	(62,346)	(64,864)	(59,010)	4,530	(59,010)	5,854
Other financing sources (uses):									
Transfers in.....	1,180	1,180	1,180	-	-	67,740	-	-	67,740
Transfers out.....	-	-	-	-	-	(7,070)	-	-	(7,070)
Issuance of loans.....	-	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	3,050	3,050	-	-	-	-
Budget reserves and designations.....	(148)	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	(39)	(39)	-	-	-	-
Total other financing sources (uses).....	1,032	1,180	1,180	2,911	2,911	67,740	-	-	67,740
Net changes in fund balances.....	(864)	(690)	(629)	4,530	4,530	1,960	4,530	4,530	5,854
Budgetary fund balances, July 1.....	864	864	23,429	716	33,951	33,951	-	-	-
Budgetary fund balances, June 30.....	\$ 28,565	\$ 28,565	\$ 28,565	\$ 4,530	\$ 29,297	\$ 35,111	\$ 4,530	\$ 29,297	\$ 35,111

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
 Year Ended June 30, 2015
 (In Thousands)

	Public Protection Fund			Public Works, Transportation and Commerce Fund			Real Property Fund			San Francisco County Transportation Authority		
	Original Budget	Final Budget	Variance Positive (Negative)	Original Budget	Final Budget	Variance Positive (Negative)	Original Budget	Final Budget	Variance Positive (Negative)	Original Budget	Final Budget	Variance Positive (Negative)
Revenues:												
Business taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-	-	-	-	-
Sales and use tax.....	501	501	504	-	-	-	91,826	99,823	100,278	1,455	1,455	1,455
Licenses, permits, and franchises.....	2,154	2,154	3,429	3	-	1,275	4,728	4,728	4,882	134	134	134
Fines, forfeitures, and penalties.....	52	83	65	(19)	-	-	392	346	463	117	117	117
Interest and investment income.....	-	-	-	-	-	-	-	-	-	-	-	-
Grants and concessions.....	-	-	-	-	-	-	1,369	34,403	34,657	154	154	154
Intergovernmental.....	-	-	-	-	-	-	-	-	-	-	-	-
Federal.....	29,369	40,620	40,620	-	-	-	-	-	-	-	-	-
State.....	13,184	12,830	12,830	-	-	-	42,668	38,666	34,804	(2,182)	(2,182)	(2,182)
Other.....	4	8	8	257	1,233	1,233	5,329	4,556	3,799	(757)	(757)	(757)
Charges for services.....	1,534	13,528	14,117	589	14,395	22,710	4,199	7,862	4,974	(2,888)	(2,888)	(2,888)
Other.....	46,798	69,957	71,816	1,849	14,612	25,507	1,010	5,615	5,636	180	(6,459)	(6,459)
Total revenues.....	46,798	69,957	71,816	1,849	14,612	25,507	36,013	194,757	198,917	149,380	(9,557)	(9,557)
Expenditures:												
Public protection.....	43,159	60,201	60,201	-	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	3,299	3,177	3,177	2,951	14,837	12,304	312	312	196,885	131,621	66,264	66,264
Human welfare and neighborhood development.....	-	-	-	11,908	11,438	11,186	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	3	3	-	-	-	-	-	-
General administration and finance.....	4,499	2,171	2,171	-	-	-	3,692	22,511	22,511	47	47	47
Total expenditures.....	50,957	65,549	65,549	14,469	26,310	23,525	3,592	22,823	196,885	131,621	66,264	66,264
Excess (deficiency) of revenues over (under) expenditures.....	(4,159)	4,418	6,267	1,849	(603)	9,825	(1,752)	11,934	(37,968)	17,729	55,707	55,707
Other financing sources (uses):												
Transfers out.....	(1,898)	(2,103)	(2,103)	-	1,035	1,035	-	(13,191)	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-	-	-	-	-
Loan repayments and other financing source (uses).....	(1,899)	(2,103)	(2,103)	(153)	(162)	(167)	(13,131)	(13,191)	-	-	-	-
Total other financing sources (uses).....	(6,097)	(6,309)	(6,309)	(153)	973	968	(1,752)	(13,191)	-	-	-	-
Net changes in fund balances.....	6,097	36,097	36,097	1,849	32,033	32,033	1,752	1,341	1,341	1,341	1,341	1,341
Budgetary fund balances, July 1.....	-	-	-	-	-	-	-	-	-	-	-	-
Budgetary fund balances, June 30.....	-	-	-	-	-	-	-	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
 Year Ended June 30, 2015
 (In Thousands)

	Public Protection Fund			Public Works, Transportation and Commerce Fund			Real Property Fund			San Francisco County Transportation Authority		
	Original Budget	Final Budget	Variance Positive (Negative)	Original Budget	Final Budget	Variance Positive (Negative)	Original Budget	Final Budget	Variance Positive (Negative)	Original Budget	Final Budget	Variance Positive (Negative)
Revenues:												
Business taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-	-	-	-	-
Sales and use tax.....	501	501	504	-	-	-	91,826	99,823	100,278	1,455	1,455	1,455
Licenses, permits, and franchises.....	2,154	2,154	3,429	3	-	1,275	4,728	4,728	4,882	134	134	134
Fines, forfeitures, and penalties.....	52	83	65	(19)	-	-	392	346	463	117	117	117
Interest and investment income.....	-	-	-	-	-	-	-	-	-	-	-	-
Grants and concessions.....	-	-	-	-	-	-	1,369	34,403	34,657	154	154	154
Intergovernmental.....	-	-	-	-	-	-	-	-	-	-	-	-
Federal.....	29,369	40,620	40,620	-	-	-	-	-	-	-	-	-
State.....	13,184	12,830	12,830	-	-	-	42,668	38,666	34,804	(2,182)	(2,182)	(2,182)
Other.....	4	8	8	257	1,233	1,233	5,329	4,556	3,799	(757)	(757)	(757)
Charges for services.....	1,534	13,528	14,117	589	14,395	22,710	4,199	7,862	4,974	(2,888)	(2,888)	(2,888)
Other.....	46,798	69,957	71,816	1,849	14,612	25,507	1,010	5,615	5,636	180	(6,459)	(6,459)
Total revenues.....	46,798	69,957	71,816	1,849	14,612	25,507	36,013	194,757	198,917	149,380	(9,557)	(9,557)
Expenditures:												
Public protection.....	43,159	60,201	60,201	-	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	3,299	3,177	3,177	2,951	14,837	12,304	312	312	196,885	131,621	66,264	66,264
Human welfare and neighborhood development.....	-	-	-	11,908	11,438	11,186	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	3	3	-	-	-	-	-	-
General administration and finance.....	4,499	2,171	2,171	-	-	-	3,692	22,511	22,511	47	47	47
Total expenditures.....	50,957	65,549	65,549	14,469	26,310	23,525	3,592	22,823	196,885	131,621	66,264	66,264
Excess (deficiency) of revenues over (under) expenditures.....	(4,159)	4,418	6,267	1,849	(603)	9,825	(1,752)	11,934	(37,968)	17,729	55,707	55,707
Other financing sources (uses):												
Transfers out.....	(1,898)	(2,103)	(2,103)	-	1,035	1,035	-	(13,191)	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-	-	-	-	-
Loan repayments and other financing source (uses).....	(1,899)	(2,103)	(2,103)	(153)	(162)	(167)	(13,131)	(13,191)	-	-	-	-
Total other financing sources (uses).....	(6,097)	(6,309)	(6,309)	(153)	973	968	(1,752)	(13,191)	-	-	-	-
Net changes in fund balances.....	6,097	36,097	36,097	1,849	32,033	32,033	1,752	1,341	1,341	1,341	1,341	1,341
Budgetary fund balances, July 1.....	-	-	-	-	-	-	-	-	-	-	-	-
Budgetary fund balances, June 30.....	-	-	-	-	-	-	-	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Senior Citizens Program Fund				War Memorial Fund				Variance Positive (Negative)
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	
Revenues:									
Business taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....									
Sales and use tax.....									
Licenses, permits, and franchises.....									
Fines, forfeitures, and penalties.....									
Interest and investment income.....		1	1	-	1,760	19	19	-	23
Grants and concessions.....									
Interfund.....									
Federal.....	4,875	5,795	5,795	-	-	-	-	-	-
State.....	1,560	835	835	-	-	-	-	-	-
Other.....					188	236	320	84	84
Charges for services.....	48	157	137	-	-	-	-	-	-
Other.....	6,283	6,788	6,768	-	1,948	2,398	2,715	317	317
Total revenues.....	6,283	6,788	6,768	-	1,948	2,398	2,715	317	317
Expenditures:									
Public protection.....									
Public works, transportation and commerce.....									
Human welfare and neighborhood development.....	6,283	6,788	6,768	-	-	820	820	-	-
Community health.....									
Culture and recreation.....					13,362	12,042	11,274	768	768
General administration and finance.....					13,362	12,862	12,094	768	768
Total expenditures.....	6,283	6,788	6,768	-	13,362	12,862	12,094	768	768
Excess (deficiency) of revenues over (under) expenditures.....					(11,414)	(10,464)	(9,379)	1,095	1,095
Other financing sources (uses):									
Transfers out.....					10,212	10,212	10,212	-	-
Issuance of loans.....									
Issuance of commercial paper.....									
Budget reserves and designations.....									
Loan repayments and other financing sources (uses).....					(174)	(174)	-	174	174
Total other financing sources (uses).....					10,038	10,038	10,212	174	174
Net changes in fund balances, July 1.....					(1,376)	(628)	833	1,229	1,229
Budgetary fund balances, July 1.....					1,376	11,028	11,028	-	-
Budgetary fund balances, June 30.....					\$ -	\$ 10,400	\$ 11,861	\$ 1,229	\$ 1,229

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Total				Variance Positive (Negative)
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	
Revenues:					
Business taxes.....	\$ 137,655	\$ 137,655	\$ 142,360	\$ 4,705	4,705
Business taxes.....					
Sales and use tax.....	1,000	1,000	2,318	1,318	1,318
Licenses, permits, and franchises.....	91,826	98,823	100,278	1,455	1,455
Fines, forfeitures, and penalties.....	15,454	15,303	15,170	(133)	(133)
Interest and investment income.....	4,551	4,925	6,740	1,815	1,815
Grants and concessions.....	2,415	5,539	7,990	2,451	2,451
Interfund.....	39,419	75,449	73,034	(2,415)	(2,415)
Federal.....	181,417	215,933	213,419	(2,514)	(2,514)
State.....	112,477	130,493	126,306	(4,187)	(4,187)
Other.....	6,738	15,365	12,477	(2,888)	(2,888)
Charges for services.....	102,603	128,738	144,560	15,822	15,822
Other.....	29,197	85,329	111,161	25,832	25,832
Total revenues.....	726,802	914,552	959,813	41,261	41,261
Expenditures:					
Public protection.....	46,257	60,903	60,797	106	106
Public works, transportation and commerce.....	373,202	326,696	255,131	74,565	74,565
Human welfare and neighborhood development.....	259,038	311,810	309,422	2,388	2,388
Community health.....	103,720	103,090	103,090	-	-
Culture and recreation.....	277,311	247,259	232,676	14,635	14,635
General administration and finance.....	32,285	42,720	42,673	47	47
Total expenditures.....	1,091,773	1,095,479	1,033,789	91,689	91,689
Excess (deficiency) of revenues over (under) expenditures.....	(64,971)	(180,926)	(47,976)	132,950	132,950
Other financing sources (uses):					
Transfers out.....	234,320	285,717	285,717	-	-
Issuance of loans.....	(6,088)	(60,366)	(60,366)	-	-
Issuance of commercial paper.....	-	142,099	136,763	(5,336)	(5,336)
Budget reserves and designations.....	(167)	3,050	3,050	-	-
Loan repayments and other financing sources (uses).....	(6,559)	(2,554)	(1,769)	875	875
Total other financing sources (uses).....	226,506	367,896	383,435	(4,461)	(4,461)
Net changes in fund balances, July 1.....	(136,465)	186,970	319,459	428,469	428,469
Budgetary fund balances, July 1.....	21,394	606,477	606,477	-	-
Budgetary fund balances, June 30.....	\$(115,071)	\$ 793,447	\$ 921,936	\$ 128,469	\$ 128,469

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, 2015
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection.....	\$ 92,312	\$ 65,372	\$ 58,772	\$ 6,600
Public Works.....	-	2,569	2,569	-
Total Building Inspection Fund.....	92,312	67,941	61,341	6,600
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services.....	12,941	12,586	12,388	198
Children and Families Commission.....	49,146	41,221	41,221	-
Mayor's Office.....	126,396	121,837	121,837	-
Total Children and Families Fund.....	188,483	175,644	175,446	198
COMMUNITY / NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Mayor's Office.....	5,929	12,236	12,236	-
Public Works.....	9,103	235	235	-
Total.....	15,032	12,471	12,471	-
Human Welfare and Neighborhood Development				
Human Services.....	60	281	281	-
Mayor's Office.....	981	69,834	69,834	-
Rent Arbitration Board.....	6,531	6,480	6,080	420
Total.....	7,572	76,595	76,175	420
Culture and Recreation				
Arts Commission.....	20	19	19	-
Public Library.....	1,140	-	-	-
Recreation and Park Commission.....	5,893	203	203	-
Total.....	7,053	222	222	-
General Administration and Finance				
Administrative Services.....	1,000	856	856	-
City Planning.....	3,596	1,446	1,446	-
Total Community / Neighborhood Development Fund.....	4,596	2,302	2,302	-
Public Works, Transportation and Commerce	34,243	91,590	91,170	420
COMMUNITY HEALTH SERVICES FUND				
Public Works.....	-	78	78	-
Community Health				
Community Health Network.....	103,720	101,622	101,622	-
Total Community Health Services Fund.....	103,720	101,700	101,700	-
CONVENTION FACILITIES FUND				
Public Works, Transportation and Commerce				
Mayor's Office.....	-	7	7	-
Public Utilities Commission.....	-	71	71	-
Public Works.....	-	778	778	-
Total.....	-	856	856	-
Human Welfare and Neighborhood Development				
Mayor's Office.....	-	100	100	-
Culture and Recreation				
Arts Commission.....	-	52	52	-
Administrative Services.....	77,970	55,892	51,792	4,070
Total.....	77,970	55,914	51,844	4,070
General Administration and Finance				
City Planning.....	-	523	523	-
Total Convention Facilities Fund.....	77,970	57,393	53,323	4,070

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, 2015
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
COURT'S FUND				
Public Protection				
Trial Courts.....	\$ 2,818	\$ 474	\$ 368	\$ 106
Total Court's Fund.....	2,818	474	368	106
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office.....	725	1,290	1,290	-
Public Works.....	-	715	715	-
Total.....	725	2,005	2,005	-
Culture and Recreation				
Arts Commission.....	4,422	4,449	4,449	-
Asian Art Museum.....	681	435	435	-
Fine Arts Museums.....	2,859	2,757	2,757	-
Recreation and Park Commission.....	3,538	2,978	2,699	279
Total.....	11,500	10,619	10,340	279
Human Welfare and Neighborhood Development				
Mayor's Office.....	-	25	25	-
General Administration and Finance				
Administrative Services.....	12,733	11,976	11,976	-
Total Culture and Recreation Fund.....	24,956	24,625	24,346	279
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office.....	2,181	8,173	6,657	1,516
General Administration and Finance				
City Planning.....	200	10	10	-
Total Environmental Protection Fund.....	2,381	8,183	6,667	1,516
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency.....	-	643	643	-
Public Utilities Commission.....	-	1,137	1,137	-
Public Works.....	37,146	26,779	26,611	168
Total Gasoline Tax Fund.....	37,146	28,559	28,391	168
GENERAL SERVICES FUND				
Public Protection				
District Attorney.....	-	29	29	-
Trial Courts.....	280	170	170	-
Total.....	280	199	199	-
Public Works, Transportation and Commerce				
Public Works.....	-	63	63	-
Culture and Recreation				
Fine Arts Museum.....	-	1,119	1,119	-
General Administration and Finance				
Administrative Services.....	552	281	281	-
Assessor/Recorder.....	1,874	1,340	1,340	-
Board of Supervisors.....	18	21	21	-
Elections.....	-	18	18	-
Mayor's Office.....	431	304	304	-
Telecommunications and Information Services.....	3,018	671	671	-
Treasurer/Tax Collector.....	742	235	235	-
Total.....	6,635	2,870	2,870	-
Total General Services Fund.....	6,915	4,251	4,251	-

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, 2015
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GIFT AND OTHER EXPENDABLE TRUSTS FUND				
Public Protection				
District Attorney.....	\$ -	\$ 1	\$ 1	\$ -
Fire Department.....	-	16	12	4
Police Department.....	-	29	29	-
Culture and Recreation				
Public Works.....	-	145	145	-
Human Welfare and Neighborhood Development				
Mayor's Office.....	-	18	18	-
Social Services.....	481	48	48	433
Commission on Status of Women.....	-	7	7	-
Community Health				
Community Health Network.....	-	1,468	1,468	-
Culture and Recreation				
Arts Commission.....	-	30	30	-
Fine Arts Museums.....	-	69	69	-
Public Library.....	10	37	37	-
Recreation and Park Commission.....	471	419	419	52
War Memorial.....	-	106	106	-
General Administration and Finance				
Administrative Services.....	481	661	661	-
Board of Supervisors.....	-	83	83	-
Telecommunications and Information Services.....	-	2	2	-
General City Responsibilities				
Controller.....	-	86	86	-
GOLF FUND				
Recreation and Park Commission.....	962	2,462	2,462	-
Culture and Recreation				
Recreation and Park Commission.....	13,564	13,675	13,372	303
Total Golf Fund.....	13,564	13,675	13,372	303
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women.....	238	211	209	29
Social Services.....	29,557	22,675	22,675	-
Total Human Welfare Fund.....	29,795	22,886	22,884	2
LOW AND MODERATE INCOME HOUSING ASSET FUND				
Human Welfare and Neighborhood Development				
Mayor's Office.....	9,036	6,931	6,931	-
Total Low and Moderate Income Housing Asset Fund.....	9,036	6,931	6,931	-

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, 2015
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission.....	\$ -	\$ 124	\$ 124	\$ -
Public Works.....	-	568	568	-
Culture and Recreation				
Arts Commission.....	-	133	133	-
Recreation and Park Commission.....	45,538	46,605	43,186	3,419
General Administration and Finance				
City Planning.....	-	82	82	-
Total Open Space and Park Fund.....	45,538	47,512	44,093	3,419
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission.....	-	15	15	-
Public Works.....	-	4,017	4,017	-
Culture and Recreation				
Arts Commission.....	-	6	6	-
Public Library.....	107,843	106,260	100,516	5,744
General Administration and Finance				
Telecommunications and Information Services.....	107,843	106,266	100,522	5,744
Total Public Library Fund.....	107,843	110,408	104,664	5,744
PUBLIC PROTECTION FUND				
Public Protection				
Adult Probation.....	3,214	1,364	1,364	-
District Attorney.....	4,694	5,236	5,236	-
Emergency Communications Department.....	23,912	27,752	27,752	-
Fire Department.....	-	3,841	3,841	-
Juvenile Probation.....	1,655	1,726	1,726	-
Mayor's Office.....	-	4	4	-
Police Commission.....	6,300	17,026	17,026	-
Public Defender.....	103	474	474	-
Sheriff.....	3,281	2,778	2,778	-
Total Public Protection Fund.....	43,159	60,201	60,201	-
Human Welfare and Neighborhood Development				
Mayor's Office.....	3,299	3,121	3,121	-
Commission on Status of Women.....	-	56	56	-
General Administration and Finance				
City Attorney.....	3,299	3,177	3,177	-
Total Public Protection Fund.....	50,957	65,549	65,549	-

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, 2015
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce	\$ 2,551	\$ 14,837	\$ 12,304	\$ 2,533
Public Works				
Human Welfare and Neighborhood Development	11,908	11,438	11,186	252
Culture and Recreation				
Arts Commission		3	3	-
General Administration and Finance				
City Planning		32	32	-
Total Public Works, Transportation and Commerce Fund	14,459	26,310	23,525	2,785
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission		154	154	-
Public Works		158	158	-
		312	312	-
General Administration and Finance				
Administrative Services	3,592	22,558	22,511	47
Total Real Property Fund	3,592	22,870	22,823	47
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors	225,436	196,885	131,621	65,264
Total SF County Transportation Authority Fund	225,436	196,885	131,621	65,264
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Social Services Department	6,283	6,768	6,768	-
Total Senior Citizens' Program Fund	6,283	6,768	6,768	-
WAR MEMORIAL FUND				
Culture and Recreation				
War Memorial	13,362	12,042	11,274	768
Public Works, Transportation and Commerce				
Public Works		820	820	-
Total War Memorial Fund	13,362	12,862	12,094	768
Total Special Revenue Funds With Legally Adopted Budgets	\$ 1,091,773	\$ 1,095,476	\$ 1,003,789	\$ 91,689

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
 Nonmajor Governmental Funds – Debt Service Funds
 June 30, 2015
 (In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Assets:				
Deposits and investments with City Treasury	\$ 99,585	\$ -	\$ 3	\$ 99,588
Deposits and investments outside City Treasury	-	29,958	-	29,958
Receivables:				
Property taxes and penalties	7,077	-	-	7,077
Interest and other	207	37	-	244
Total assets	\$ 106,869	\$ 29,995	\$ 3	\$ 136,867
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 3	\$ 3
Due to other funds	35	-	-	35
Unearned revenues and other liabilities	9,976	-	-	9,976
Total liabilities	10,011	-	3	10,014
Deferred inflows of resources	5,566	-	-	5,566
Fund balances:				
Restricted	91,292	29,995	-	121,287
Total liabilities, deferred inflows of resources and fund balances	\$ 106,869	\$ 29,995	\$ 3	\$ 136,867

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, 2015
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Revenues:				
Property taxes.....	\$ 227,176	\$ -	\$ -	\$ 227,176
Fines, forfeitures, and penalties.....	15,040	-	-	15,040
Interest and investment income.....	1,086	63	-	1,149
Rents and concessions.....	-	705	-	705
Intergovernmental				
State.....	801	-	-	801
Other.....	3,730	-	-	3,730
Total revenues.....	247,833	768	-	248,601
Expenditures:				
Debt service:				
Principal retirement.....	165,860	34,270	367	200,497
Interest and other fiscal charges.....	94,715	22,820	295	117,830
Bond issuance costs.....	1,541	65	-	1,606
Total expenditures.....	262,116	57,155	662	319,933
Deficiency of revenues under expenditures.....	(14,283)	(55,387)	(652)	(71,322)
Other financing sources (uses):				
Transfers in.....	21,073	55,329	662	77,064
Issuance of bonds and loans:				
Face value of bonds issued.....	283,910	-	-	283,910
Premium on issuance of bonds.....	54,366	-	-	54,366
Payment to refunded bond escrow agent.....	(359,225)	-	-	(359,225)
Total other financing sources, net.....	10,124	55,329	662	66,115
Net changes in fund balances.....	(4,159)	(1,088)	-	(5,247)
Fund balances at beginning of year.....	95,451	31,053	-	126,504
Fund balances at end of year.....	\$ 91,292	\$ 29,965	\$ -	\$ 121,257

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Debt Service Funds
Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes.....	\$ 229,493	\$ 229,493	\$ 227,176	\$ (2,317)
Fines, forfeitures, and penalties.....	15,149	15,149	15,040	(109)
Interest and investment income.....	-	-	1,086	1,086
Intergovernmental				
State.....	800	800	801	1
Other.....	-	3,732	3,730	(2)
Total revenues.....	245,442	249,174	247,843	(1,331)
Expenditures:				
Debt service:				
Principal retirement.....	242,255	168,306	165,860	2,446
Interest and other fiscal charges.....	10,989	94,715	94,715	-
Bond issuance costs.....	-	640	640	-
Total expenditures.....	253,244	263,661	261,215	2,446
Deficiency of revenues under expenditures.....	(7,802)	(14,487)	(13,372)	1,115
Other financing sources:				
Transfers in.....	4,790	21,073	21,073	-
Issuance of bonds and loans:				
Face value of bonds issued.....	-	2,500	2,500	-
Payment to refunded bond escrow agent.....	-	(14,349)	(14,349)	-
Total other financing sources.....	4,790	9,224	9,224	-
Net changes in fund balances.....	(3,012)	(5,263)	(4,148)	1,115
Budgetary fund balance, July 1.....	3,012	103,537	103,537	-
Budgetary fund balance, June 30.....	\$ -	\$ 98,274	\$ 99,389	\$ 1,115

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds
 June 30, 2015
 (In Thousands)

	City Facilities Improvement Fund	Earthquake Safety Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Assets:				
Deposits and investments with City Treasury.....	\$ 171,347	\$ 17	\$ 7,432	\$ -
Deposits and investments outside City Treasury.....	18,215	-	-	1,861
Receivables:				
Federal and state grants and subventions.....	-	-	-	-
Charges for services.....	6,355	-	-	-
Interest and other.....	184	-	7	-
Due from other funds.....	-	-	-	-
Due from component unit.....	-	-	-	36
Total assets.....	\$ 196,101	\$ 17	\$ 7,439	\$ 1,897
Liabilities:				
Accounts payable.....	\$ 32,445	\$ -	\$ -	\$ 8,830
Accrued payroll.....	320	-	-	39
Unearned grant and subvention revenue.....	-	-	-	8,858
Due to other funds.....	35	-	-	-
Unearned revenues and other liabilities.....	2,032	-	-	17,980
Bonds, loans, capital leases, and other payables.....	133,668	-	-	35,707
Total liabilities.....	\$ 168,500	\$ -	\$ -	\$ -
Deferred inflows of resources.....	6,354	-	-	-
Fund balances:				
Restricted.....	21,247	17	7,439	-
Unassigned.....	-	-	-	(33,810)
Total fund balances.....	\$ 21,247	\$ 17	\$ 7,439	\$ (33,810)
Total liabilities, deferred inflows of resources and fund balances.....	\$ 196,101	\$ 17	\$ 7,439	\$ 1,897

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds (Continued)
 June 30, 2015
 (In Thousands)

	Public Library Improvement Fund	Recreation and Park Projects	Street Improvement Fund	Total
Assets:				
Deposits and investments with City Treasury.....	\$ 912	\$ 63,222	\$ 94,109	\$ 337,039
Deposits and investments outside City Treasury.....	-	-	3,124	23,200
Receivables:				
Federal and state grants and subventions.....	-	2,411	2,088	4,499
Charges for services.....	-	-	-	6,355
Interest and other.....	1	68	92	352
Due from other funds.....	51	125	1,870	2,046
Due from component unit.....	-	-	-	36
Total assets.....	\$ 964	\$ 65,826	\$ 101,283	\$ 373,527
Liabilities:				
Accounts payable.....	\$ 69	\$ 4,288	\$ 10,204	\$ 55,836
Accrued payroll.....	-	201	556	1,116
Unearned grant and subvention revenue.....	-	519	-	519
Due to other funds.....	-	-	-	8,893
Unearned revenues and other liabilities.....	-	24	1,092	3,148
Bonds, loans, capital leases, and other payables.....	-	-	-	151,648
Total liabilities.....	\$ 69	\$ 5,032	\$ 11,852	\$ 221,160
Deferred inflows of resources.....	-	1,722	1,500	9,576
Fund balances:				
Restricted.....	895	59,072	87,931	176,601
Unassigned.....	-	-	-	(33,810)
Total fund balances.....	\$ 895	\$ 59,072	\$ 87,931	\$ 142,791
Total liabilities, deferred inflows of resources and fund balances.....	\$ 964	\$ 65,826	\$ 101,283	\$ 373,527

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, 2015
(In Thousands)

	City Facilities Improvement Fund	Earthquake Safety Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Revenues:				
Interest and investment income.....	\$ 1,308	\$ -	\$ 48	\$ -
Rents and concessions.....	-	-	-	-
Intergovernmental:				
Federal.....	-	-	-	-
State.....	-	-	-	-
Other.....	-	-	-	-
Total revenues.....	1,308	-	48	-
Expenditures:				
Debt service:				
Interest and other fiscal charges.....	1,086	-	-	210
Bond issuance costs.....	1,128	-	-	-
Capital outlay.....	278,835	-	2	26,468
Total expenditures.....	281,049	-	2	26,678
Excess (deficiency) of revenues over (under) expenditures.....	(279,741)	-	46	(26,678)
Other financing sources (uses):				
Transfers in.....	356	-	-	512
Transfers out.....	(66,790)	-	-	-
Issuance of bonds and loans:				
Face value of bonds issued.....	155,620	-	-	-
Premium on issuance of bonds.....	15,467	-	-	-
Other financing sources-capital leases.....	-	-	-	-
Total other financing sources, net.....	104,653	-	-	512
Net changes in fund balances.....	(175,088)	-	46	(26,166)
Fund balances at beginning of year.....	196,335	17	7,393	(7,644)
Fund balances at end of year.....	\$ 21,247	\$ 17	\$ 7,439	\$ (33,810)

(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, 2015
(In Thousands)

	Public Library Improvement Fund	Recreation and Park Projects	Street Improvement Fund	Total
Revenues:				
Interest and investment income.....	\$ 6	\$ 497	\$ 653	\$ 2,512
Rents and concessions.....	-	-	311	311
Intergovernmental:				
Federal.....	-	164	13,866	14,130
State.....	-	1,798	92	1,890
Other.....	-	-	151	151
Total revenues.....	6	2,772	15,658	19,792
Expenditures:				
Debt service:				
Interest and other fiscal charges.....	-	-	-	1,296
Bond issuance costs.....	-	-	-	1,128
Capital outlay.....	494	37,581	69,360	412,740
Total expenditures.....	494	37,581	69,360	415,164
Excess (deficiency) of revenues over (under) expenditures.....	(488)	(34,809)	(53,702)	(395,372)
Other financing sources (uses):				
Transfers in.....	-	1,261	26,239	28,368
Transfers out.....	-	-	(10,092)	(76,882)
Issuance of bonds and loans:				
Face value of bonds issued.....	-	-	-	155,620
Premium on issuance of bonds.....	-	-	-	15,467
Other financing sources-capital leases.....	431	296	-	727
Total other financing sources, net.....	431	1,557	16,147	123,300
Net changes in fund balances.....	(57)	(33,252)	(37,555)	(272,072)
Fund balances at beginning of year.....	952	92,324	125,486	414,863
Fund balances at end of year.....	\$ 895	\$ 59,072	\$ 87,931	\$ 142,791

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.



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CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Net Position
Internal Service Funds
 June 30, 2015
 (In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecommunications & Information Fund	Total
Assets:					
Current assets:					
Deposits and investments with City Treasury.....	\$ 3,123	\$ -	\$ 2,031	\$ 32,751	\$ 37,905
Receivables:					
Charges for services.....	-	-	60	-	60
Interest and other.....	-	28	-	716	744
Due from other funds.....	-	76	-	-	76
Capital leases receivable.....	-	19,227	-	-	19,227
Restricted assets:					
Deposits and investments outside City Treasury.....	28,242	-	-	-	28,242
Total current assets.....	3,123	47,573	2,091	33,467	86,254
Noncurrent assets:					
Restricted assets:					
Deposits and investments outside City Treasury.....	-	4,665	-	-	4,665
Capital leases receivable.....	-	193,622	-	-	193,622
Capital assets:					
Facilities and equipment, net of depreciation.....	548	-	424	8,600	9,572
Total noncurrent assets.....	548	198,287	424	8,600	207,859
Total assets.....	3,671	245,860	2,515	42,067	294,113
Deferred outflows of resources:					
Unamortized loss on refunding of debt.....	-	1,171	-	-	1,171
Deferred outflows related to pensions.....	1,748	-	-	4,451	6,199
Total deferred outflows of resources.....	1,748	1,171	-	4,451	7,370
Liabilities:					
Current liabilities:					
Accounts payable.....	2,165	287	304	5,824	8,580
Accrued payroll.....	375	-	51	930	1,356
Accrued vacation and sick leave pay.....	469	-	-	1,275	1,744
Accrued workers' compensation.....	-	-	-	350	350
Bonds, loans, capital leases, and other payables.....	-	18,795	-	-	18,795
Accrued interest payable.....	-	1,429	-	-	1,429
Due to other funds.....	37	189	-	39	265
Unearned revenues and other liabilities.....	-	28,588	-	34	28,632
Total current liabilities.....	3,046	49,286	355	8,452	61,151
Noncurrent liabilities:					
Accrued vacation and sick leave pay.....	281	-	-	869	1,150
Accrued workers' compensation.....	-	-	-	1,593	1,593
Other postemployment benefits obligation.....	5,038	-	-	16,829	21,867
Bonds, loans, capital leases, and other payables.....	-	197,733	-	-	197,733
Net pension liability.....	5,214	-	-	13,280	18,494
Total noncurrent liabilities.....	10,533	197,733	-	32,571	240,837
Total liabilities.....	13,579	247,031	355	41,023	301,988
Deferred inflows of resources:					
Deferred inflows related to pensions.....	4,671	-	-	11,898	16,569
Net position:					
Net investment in capital assets.....	548	-	424	8,600	9,572
Unrestricted (deficit).....	(13,379)	-	1,736	(15,003)	(26,646)
Total net position.....	\$ (12,831)	\$ -	\$ 2,160	\$ (6,403)	\$ (17,074)

Notes:
 (1) Intra-entity due to and due from eliminated for presentation in the Statement of Net Position - Proprietary funds on pages 33-34.

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenses
and Changes in Fund Net Position
Internal Service Funds
 Year Ended June 30, 2015
 (In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecommunications & Information Fund	Total
Operating revenues:					
Charges for services.....	\$ 30,228	\$ -	\$ 7,597	\$ 90,845	\$ 128,670
Rents and concessions.....	-	-	-	156	156
Total operating revenues.....	30,228	-	7,597	91,001	128,826
Operating expenses:					
Personal services.....	12,703	-	1,789	31,137	45,629
Contractual services.....	2,883	-	4,510	37,787	45,180
Materials and supplies.....	12,378	-	246	6,251	18,875
Depreciation and amortization.....	120	-	72	2,259	2,451
General and administrative.....	118	-	2	420	540
Services provided by other departments.....	1,411	-	445	5,131	6,987
Other.....	311	-	52	4,720	5,083
Total operating expenses.....	29,924	-	7,116	87,705	124,745
Operating income.....	304	-	481	3,296	4,081
Nonoperating revenues (expenses):					
Interest and investment income.....	-	4,566	5	137	4,708
Interest expense.....	-	(5,022)	-	-	(5,022)
Other, net.....	3	456	13	987	1,459
Total nonoperating revenues (expenses).....	3	-	18	1,124	1,145
Income before transfers.....	307	-	499	4,420	5,226
Transfers in.....	70	-	-	80	150
Transfers out.....	-	-	(5)	(137)	(142)
Change in net position.....	377	-	494	4,363	5,234
Net position at beginning of year.....	(3,623)	-	1,666	13,647	11,690
as previously reported.....	(9,585)	-	-	(24,413)	(33,998)
Cumulative effect of accounting change.....	-	-	-	-	-
Net position at beginning of year, as restated.....	(13,209)	-	1,666	(10,766)	(22,308)
Net position at end of year.....	\$ (12,831)	\$ -	\$ 2,160	\$ (6,403)	\$ (17,074)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2015
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecommunications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers.....	\$ 30,285	\$ 29,983	\$ 7,555	\$ 91,839	\$ 159,542
Cash paid for employees' services.....	(14,116)	-	(1,628)	(33,828)	(49,772)
Cash paid to suppliers for goods and services.....	(16,252)	(10,509)	(5,043)	(55,947)	(87,751)
Net cash provided by (used in) operating activities.....	(1,333)	19,374	884	2,064	21,989
Cash flows from noncapital financing activities:					
Transfers in.....	70	-	-	80	150
Transfers out.....	-	-	-	(137)	(137)
Net cash provided by (used in) noncapital financing activities.....	70	-	(5)	(57)	8
Acquisition of capital assets.....	-	-	-	-	-
Retirement of capital lease obligation.....	(474)	(28,440)	-	(1,861)	(2,745)
Net issue costs paid.....	-	-	-	-	-
Interest paid on long-term debt.....	-	(5,171)	-	-	(5,171)
Net cash used in capital and related financing activities.....	(474)	(31,626)	(410)	(1,861)	(34,371)
Cash flows from investing activities:					
Investments and investment income.....	-	12	5	137	154
Other.....	-	65	-	-	65
Net cash provided by investing activities.....	-	77	5	137	219
Change in cash and cash equivalents.....	(637)	(12,175)	29	283	(12,150)
Cash and cash equivalents at beginning of year.....	9,959	19,417	1,757	32,956	56,147
Cash and cash equivalents at end of year.....	\$ 3,123	\$ 28,242	\$ 2,031	\$ 32,751	\$ 66,147
Reconciliation of operating income to net cash provided by operating activities:					
Operating income.....	\$ 304	\$ -	\$ 481	\$ 3,296	\$ 4,081
Adjustments for non-cash and other activities:					
Depreciation and amortization.....	120	-	72	2,259	2,451
Other.....	3	-	13	987	1,003
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:					
Receivables, net.....	34	26,440	(65)	(149)	26,270
Accounts payable.....	557	-	212	(1,892)	(823)
Accrued payroll.....	(389)	-	(39)	(851)	(1,379)
Accrued vacation and sick leave pay.....	(3)	-	-	119	116
Accrued workers' compensation.....	-	-	-	176	176
Other postemployment benefits obligation.....	427	-	-	1,651	2,078
Other long-term assets and other liabilities.....	37	-	-	(46)	(9)
Net pension liability and pension related deferred outflows and inflows of resources.....	225	(7,066)	-	-	(6,841)
Total adjustments.....	(1,448)	19,374	203	(3,686)	(5,139)
Net cash provided by (used in) operating activities.....	\$ (133)	\$ 19,374	\$ 684	\$ 2,064	\$ 21,989
Reconciliation of cash and cash equivalents at beginning of year to cash and cash equivalents at end of year:					
Deposits and investments with City Treasury.....	\$ 3,123	\$ -	\$ 2,031	\$ 32,751	\$ 37,905
Unrestricted.....	-	32,907	-	-	32,907
Restricted.....	3,123	32,907	2,031	32,751	70,812
Total deposits and investments.....	-	32,907	-	-	32,907
Less: Investments outside City Treasury not meeting the definition of cash equivalents.....	-	(4,665)	-	-	(4,665)
Cash and cash equivalents at end of year on statement of cash flows.....	\$ 3,123	\$ 28,242	\$ 2,031	\$ 32,751	\$ 66,147
Non-cash capital and related financing activities:					
Acquisition of capital assets on accounts payable and capital lease.....	\$ -	\$ 424	\$ -	\$ -	\$ 424

CITY AND COUNTY OF SAN FRANCISCO
FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units.

Trust Funds

Employees' Retirement System – Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

Health Service System – Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

Retiree Health Care Trust – Accounts for the contributions from employees, City contributions and the earnings and profits from investment of monies. Disbursements are to be made for benefits, expenses and other charges properly allocable to the trust fund.

Agency Funds

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Assistance Program Fund – Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

Deposits Fund – Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

Payroll Deduction Fund – Accounts for monies held for payroll charges including federal, state and other payroll related deductions.

State Revenue Collection Fund – Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

Tax Collection Fund – Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

Transit Fund – Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

Other Agency Funds – Accounts for monies held as agent for a variety of purposes.

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
 June 30, 2015
 (In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post-employment Benefit Trust Fund	Total
Assets				
Deposits and investments with City Treasury.....	\$ -	\$ 109,936	\$ 72,183	\$ 182,019
Deposits and investments outside City Treasury:				
Cash and deposits.....	31,969	-	-	31,969
Short term investments.....	656,185	-	-	656,185
Debt securities.....	4,967,128	-	-	4,967,128
Equity securities.....	10,454,530	-	-	10,454,530
Real assets.....	1,975,926	-	-	1,975,926
Private equity.....	2,484,299	-	-	2,484,299
Foreign currency contracts, net.....	722	-	-	722
Invested in securities lending collateral.....	1,001,231	-	-	1,001,231
Receivables:				
Employer and employee contributions.....	8,078	19,073	774	27,925
Brokers, general partners and others.....	226,201	-	-	226,201
Interest and other.....	39,553	2,116	63	41,732
Total assets.....	21,845,922	131,025	73,020	22,049,967
Liabilities				
Accounts payable.....	40,715	18,475	-	59,190
Estimated claims payable.....	-	29,343	-	29,343
Payable to brokers.....	374,001	-	-	374,001
Deferred Retirement Option Program.....	1,491	-	-	1,491
Payable to borrowers of securities.....	1,001,546	-	-	1,001,546
Other liabilities.....	-	1,677	-	1,677
Total liabilities.....	1,417,753	49,495	-	1,467,248
Net Position				
Held in trust for pension benefits and other purposes	\$ 20,428,069	\$ 81,530	\$ 73,020	\$ 20,582,619

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, 2015
 (In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post-employment Benefit Trust Fund	Total
Employers' contributions.....	\$ 301,682	\$ 120,935	\$ 15,897	\$ 438,514
Employer contributions.....	592,643	656,403	7,947	1,256,993
Total contributions.....	894,325	777,338	23,844	1,695,507
Investment Income/Loss:				
Interest.....	209,520	672	388	210,580
Dividends.....	214,636	-	-	214,636
Net appreciation (depreciation) in fair value of investments.....	378,519	(23)	11	378,507
Securities lending income.....	4,869	-	-	4,869
Total investment income.....	807,544	649	399	808,592
Less investment expenses:				
Securities lending borrower rebates and expenses.....	796	-	-	796
Other investment expenses.....	(44,911)	-	-	(44,911)
Total investment expenses.....	(44,115)	-	-	(44,115)
Total additions, net.....	1,657,754	777,987	24,243	2,459,984
Deductions:				
Benefit payments.....	1,118,691	789,278	-	1,907,969
Refunds of contributions.....	12,339	-	-	12,339
Administrative expenses.....	19,262	-	240	19,502
Total deductions.....	1,150,292	789,278	240	1,939,810
Change in net position.....	507,462	(11,291)	24,003	520,174
Net position at beginning of year.....	19,920,607	92,821	49,017	20,062,445
Net position at end of year.....	\$ 20,428,069	\$ 81,530	\$ 73,020	\$ 20,582,619

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Year Ended June 30, 2015

(In Thousands)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Assistance Program Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 23,304	\$ 3,492	\$ 6,032	\$ 20,764
Deposits and investments outside City Treasury..	14	-	14	-
Receivables:				
Interest and other.....	28	137	145	20
Total assets.....	\$ 23,346	\$ 3,629	\$ 6,191	\$ 20,784
Liabilities				
Accounts payable.....	\$ 1,566	\$ 1,316	\$ 2,871	\$ 11
Agency obligations.....	21,780	5,311	6,318	20,773
Total liabilities.....	\$ 23,346	\$ 6,627	\$ 9,189	\$ 20,784
Deposits Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 17,085	\$ 45,921	\$ 47,851	\$ 15,155
Deposits and investments outside City Treasury..	-	36	-	36
Receivables:				
Interest and other.....	84	53	111	26
Other assets.....	45,538	-	-	45,538
Total assets.....	\$ 62,707	\$ 46,010	\$ 47,962	\$ 60,755
Liabilities				
Accounts payable.....	\$ 3,482	\$ 15,072	\$ 17,188	\$ 1,366
Agency obligations.....	59,225	44,802	44,638	59,389
Total liabilities.....	\$ 62,707	\$ 59,874	\$ 61,826	\$ 60,755
Payroll Deduction Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 15,921	\$ 39,943	\$ -	\$ 55,864
Receivables:				
Employer and employee contributions.....	66,007	676	35,861	30,822
Total assets.....	\$ 81,928	\$ 40,619	\$ 35,861	\$ 86,686
Liabilities				
Accounts payable.....	\$ 7,631	\$ 57,238	\$ 13,315	\$ 51,554
Agency obligations.....	74,297	39,128	78,293	35,132
Total liabilities.....	\$ 81,928	\$ 96,366	\$ 91,608	\$ 86,686

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities

Agency Funds (Continued)

Year Ended June 30, 2015

(In Thousands)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
State Revenue Collection Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 3,632	\$ 3,669	\$ 6,314	\$ 987
Deposits and investments outside City Treasury..	-	1	-	1
Receivables:				
Interest and other.....	-	1	1	-
Total assets.....	\$ 3,632	\$ 3,671	\$ 6,315	\$ 988
Liabilities				
Accounts payable.....	\$ 276	\$ 6,250	\$ 6,266	\$ 260
Agency obligations.....	3,356	3,666	6,294	728
Total liabilities.....	\$ 3,632	\$ 9,916	\$ 12,560	\$ 988
Tax Collection Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 58,821	\$ 3,554,117	\$ 3,555,538	\$ 57,400
Deposits and investments outside City Treasury..	1,076	-	1,076	-
Receivables:				
Interest and other.....	144,262	2,141,947	2,079,223	206,986
Other assets.....	\$204,159	\$5,696,064	\$5,635,837	\$264,386
Total assets.....	\$ 204,263	\$ 8,392,138	\$ 8,271,674	\$ 264,772
Liabilities				
Accounts payable.....	\$ 2,599	\$ 71,049	\$ 71,870	\$ 1,778
Agency obligations.....	201,560	2,663,773	2,602,725	262,608
Total liabilities.....	\$ 204,159	\$ 2,734,822	\$ 2,674,595	\$ 264,386
Transit Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 4,316	\$ 71,576	\$ 68,840	\$ 7,052
Receivables:				
Interest and other.....	3	20	20	3
Total assets.....	\$ 4,319	\$ 71,596	\$ 68,860	\$ 7,055
Liabilities				
Accounts payable.....	\$ 2,209	\$ 21,540	\$ 21,811	\$ 1,938
Agency obligations.....	2,110	51,875	48,868	5,117
Total liabilities.....	\$ 4,319	\$ 73,415	\$ 70,679	\$ 7,055

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.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities

Agency Funds (Continued)

Year Ended June 30, 2015
(In Thousands)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Other Agency Funds				
Assets				
Deposits and investments with City Treasury.....	\$ 34,791	\$ 291,473	\$ 293,269	\$ 32,995
Deposits and investments outside City Treasury..	80	-	80	-
Receivables:				
Interest and other.....	449	263	495	217
Total assets.....	\$ 35,320	\$ 291,736	\$ 293,844	\$ 33,212
Liabilities				
Accounts payable.....	\$ 9,881	\$ 94,851	\$ 99,396	\$ 5,336
Agency obligations.....	25,439	286,415	283,978	27,876
Total liabilities.....	\$ 35,320	\$ 381,266	\$ 383,374	\$ 33,212
Total Agency Funds				
Assets				
Deposits and investments with City Treasury.....	\$ 157,870	\$ 4,010,191	\$ 3,977,844	\$ 190,217
Deposits and investments outside City Treasury..	1,170	37	1,170	37
Receivables:				
Employer and employee contributions.....	66,007	676	35,861	30,822
Interest and other.....	144,826	2,142,421	2,079,995	207,252
Other assets.....	45,538	-	-	45,538
Total assets.....	\$ 415,411	\$ 6,153,325	\$ 6,094,870	\$ 473,866
Liabilities				
Accounts payable.....	\$ 27,644	\$ 267,316	\$ 232,717	\$ 62,243
Agency obligations.....	387,767	3,094,970	3,071,114	411,623
Total liabilities.....	\$ 415,411	\$ 3,362,286	\$ 3,303,831	\$ 473,866



CITY AND COUNTY OF SAN FRANCISCO
NET POSITION BY COMPONENT
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (In Thousands)

	2006	2007	2008	2009	2010	2011	2012	2013 ⁽¹⁾	2014	2015 ⁽²⁾
Governmental activities										
Net investment in capital assets.....	\$ 1,430,016	\$ 1,456,614	\$ 1,720,203	\$ 1,837,723	\$ 1,910,341	\$ 2,193,316	\$ 2,275,983	\$ 2,403,088	\$ 2,684,868	\$ 2,864,868
Revenue for any day.....	121,676	133,622	117,762	98,297	33,439	34,109	26,339	83,194	114,989	114,989
Debt service.....	10,596	10,596	21,130	30,724	65,328	83,936	91,602	108,426	110,939	21,272
Community development.....	71,207	63,043	91,138	64,031	59,763	240,771	194,423	200,940	297,094	297,094
Building inspection programs.....	20,081	17,213	16,475	13,989	21,837	40,364	71,131	97,828	109,512	109,512
Children and families.....	42,844	43,531	43,698	46,273	40,896	43,027	53,052	61,170	89,972	100,862
Other programs.....	15,880	13,731	14,469	15,057	14,851	15,450	16,250	17,387	18,527	19,666
Unrestricted (deficit).....	(72,039)	(14,446)	(20,187)	(791,851)	(1,062,815)	(1,344,861)	(934,469)	(1,142,522)	(1,036,161)	(2,305,983)
Total governmental activities net position.....	\$ 1,796,018	\$ 1,871,011	\$ 1,860,056	\$ 1,900,203	\$ 1,152,995	\$ 1,310,279	\$ 1,600,010	\$ 1,520,109	\$ 2,141,051	\$ 1,297,744
Business-type activities										
Net investment in capital assets.....	\$ 3,438,397	\$ 3,790,008	\$ 3,000,008	\$ 4,200,644	\$ 4,277,799	\$ 4,481,404	\$ 4,538,990	\$ 4,691,579	\$ 4,932,669	\$ 5,117,679
Revenue for any day.....	256,055	249,696	262,187	58,716	71,128	62,421	53,961	68,370	64,143	100,523
Debt service.....	10,596	10,596	21,130	30,724	65,328	83,936	91,602	108,426	110,939	21,272
Other programs.....	33,364	23,709	28,254	31,450	18,864	18,124	18,913	20,846	38,721	38,596
Unrestricted.....	(89,671)	(67,122)	(491,437)	(324,365)	(299,553)	(268,328)	(242,842)	(693,545)	(732,726)	(830,663)
Total business-type activities net position.....	\$ 4,415,435	\$ 4,712,586	\$ 3,868,246	\$ 4,765,146	\$ 4,811,896	\$ 4,892,747	\$ 5,031,266	\$ 5,074,112	\$ 6,037,866	\$ 6,229,250
Primary government										
Restricted net position.....	\$ 4,676,407	\$ 5,249,600	\$ 5,373,950	\$ 5,638,550	\$ 5,732,644	\$ 5,938,362	\$ 6,459,434	\$ 6,662,499	\$ 7,032,674	\$ 7,520,888
Revenue for any day.....	121,676	133,622	117,762	98,297	33,439	34,109	26,339	83,194	114,989	114,989
Debt service.....	10,596	10,596	21,130	30,724	65,328	83,936	91,602	108,426	110,939	21,272
Capital projects.....	151,546	94,899	111,445	140,932	239,200	223,694	240,027	350,612	418,103	329,213
Community development.....	71,207	63,043	91,138	64,031	59,763	240,771	194,423	200,940	297,094	297,094
Building inspection programs.....	20,081	17,213	16,475	13,989	21,837	40,364	71,131	97,828	109,512	109,512
Children and families.....	42,844	43,531	43,698	46,273	40,896	43,027	53,052	61,170	89,972	100,862
Other programs.....	15,880	13,731	14,469	15,057	14,851	15,450	16,250	17,387	18,527	19,666
Unrestricted (deficit).....	(461,032)	(552,075)	(229,845)	(108,139)	(141,953)	(99,672)	(410,125)	(152,910)	(67,752)	(2,305,460)
Total primary activities net position.....	\$ 3,207,051	\$ 4,352,276	\$ 4,453,016	\$ 5,065,366	\$ 5,069,276	\$ 5,302,720	\$ 5,651,220	\$ 5,849,251	\$ 6,339,461	\$ 6,596,464

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.

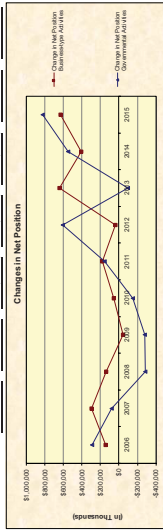
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CITY AND COUNTY OF SAN FRANCISCO
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (Accrual basis of accounting)
 (In Thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses									
Public protection:									
Police	\$ 780,842	\$ 861,689	\$ 1,026,477	\$ 1,103,311	\$ 1,198,930	\$ 1,238,822	\$ 1,229,591	\$ 1,102,200	\$ 1,102,200
Fire	472,297	500,006	584,411	626,825	698,290	738,204	750,712	730,654	730,654
Public works	178,844	191,244	220,410	238,933	259,841	278,808	291,491	298,840	298,840
Community health	177,544	191,244	220,410	238,933	259,841	278,808	291,491	298,840	298,840
General administration and finance	187,640	198,633	229,265	248,074	271,837	291,853	304,271	298,840	298,840
General City responsibilities	40,904	41,900	42,900	43,900	44,900	45,900	46,900	47,900	48,900
Capital expenditures	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Total government-wide activities	2,246,100	2,425,527	2,827,062	3,052,054	3,273,841	3,458,153	3,458,153	3,273,841	3,273,841
Business-type activities:									
Transportation	633,132	624,632	651,981	683,335	665,347	648,010	627,658	603,338	603,338
Water	695,005	730,005	765,005	799,005	833,005	867,005	901,005	935,005	969,005
Waste	213,584	236,634	259,684	282,734	305,784	328,834	351,884	374,934	397,984
Other	160,170	169,000	177,830	186,660	195,490	204,320	213,150	221,980	230,810
Total business-type activities	1,602,981	1,640,306	1,695,590	1,751,764	1,804,626	1,856,269	1,908,917	1,961,566	2,014,217
Total government-wide and business-type activities	3,849,081	4,065,833	4,522,652	4,803,818	5,078,467	5,314,422	5,367,070	5,235,402	5,288,058
Change in net position	\$ 113,891	\$ 113,891	\$ 113,891	\$ 113,891	\$ 113,891	\$ 113,891	\$ 113,891	\$ 113,891	\$ 113,891
Beginning net position	\$ 1,100,000	\$ 1,213,891	\$ 1,327,782	\$ 1,441,673	\$ 1,555,564	\$ 1,669,455	\$ 1,783,346	\$ 1,897,237	\$ 2,011,128
Ending net position	\$ 1,213,891	\$ 1,327,782	\$ 1,441,673	\$ 1,555,564	\$ 1,669,455	\$ 1,783,346	\$ 1,897,237	\$ 2,011,128	\$ 2,125,019

CITY AND COUNTY OF SAN FRANCISCO
CHANGES IN NET POSITION (Continued)
 Last Ten Fiscal Years
 (Accrual basis of accounting)
 (In Thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expenditures)/income									
Business-type activities:									
Transportation	\$ (1,100,000)	\$ (1,100,000)	\$ (1,100,000)	\$ (1,100,000)	\$ (1,100,000)	\$ (1,100,000)	\$ (1,100,000)	\$ (1,100,000)	\$ (1,100,000)
Water	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Waste	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Other	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Total business-type activities	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
General government:									
Police	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Fire	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Public works	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Community health	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
General administration and finance	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Capital expenditures	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Total general government	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
Change in net position	\$ 113,891	\$ 113,891	\$ 113,891	\$ 113,891	\$ 113,891	\$ 113,891	\$ 113,891	\$ 113,891	\$ 113,891
Beginning net position	\$ 1,100,000	\$ 1,213,891	\$ 1,327,782	\$ 1,441,673	\$ 1,555,564	\$ 1,669,455	\$ 1,783,346	\$ 1,897,237	\$ 2,011,128
Ending net position	\$ 1,213,891	\$ 1,327,782	\$ 1,441,673	\$ 1,555,564	\$ 1,669,455	\$ 1,783,346	\$ 1,897,237	\$ 2,011,128	\$ 2,125,019



Notes:
 (1) In fiscal year 2008-2009, the City transferred its Emergency/Communications Department and General Services Agency - Technology function from Public Works, Transportation and Commute to Public Protection and General Administration and Finance.
 (2) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos. 68 and 71. As a result of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.

CITY AND COUNTY OF SAN FRANCISCO
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)
 (In Thousands)

	Fiscal Year				
	2005	2007	2008	2009	2010 ⁽¹⁾
General Fund					
Reserved for rainy day.....	\$ 121,976	\$ 133,622	\$ 117,792	\$ 98,297	\$ 94,020
Reserved for assets not available for appropriation.....	107,710	12,685	11,388	11,307	24,785
Reserved for encumbrances.....	124,009	181,627	99,989	91,075	114,989
Reserved for appropriation carryforward.....	274,451	32,062	36,341	6,881	142,815
Reserved for subsequent years' budgets.....	138,971	411,037	77,117	28,253	708,076
Unreserved.....	440,878	821,424	465,632	301,072	159,560
Total general fund.....	\$ 1,073,964	\$ 1,320,813	\$ 818,156	\$ 536,482	\$ 1,145,190
All other governmental funds					
Reserved for assets not available for appropriation.....	\$ 20,202	\$ 39,413	\$ 19,914	\$ 19,781	\$ 19,781
Reserved for encumbrances.....	423,120	298,948	193,461	167,169	167,169
Reserved for appropriation carryforward.....	294,340	292,234	314,091	501,006	501,006
Reserved for subsequent years' budgets.....	8,004	8,004	13,504	11,245	11,245
Unreserved.....	35,243	47,445	(27,789)	(66,468)	(66,468)
Special revenue funds.....	13,662	(973)	2,126	(58,153)	(58,153)
Capital projects funds.....	21,581	47,418	30,185	7,312	7,312
Total other governmental funds.....	\$ 884,508	\$ 710,276	\$ 568,034	\$ 683,337	\$ 683,337
General Fund					
Responsible.....	\$ 144,934	\$ 294,651	\$ 161,698	\$ 233,654	\$ 242,020
Restricted.....	39,820	33,439	34,109	26,338	83,184
Committed.....	4,677	33,431	79,276	137,487	145,126
Assigned.....	132,645	240,635	306,413	353,191	508,603
Unassigned.....	191,178	328,008	458,725	540,871	635,692
Total general fund.....	\$ 413,254	\$ 930,164	\$ 1,030,221	\$ 1,271,641	\$ 1,514,625
All other governmental funds					
Nonresponsible.....	\$ 182	\$ 192	\$ 1,104	\$ 274	\$ 441
Responsible.....	881,188	881,269	1,189,002	1,191,189	1,115,226
Assigned.....	27,483	27,622	28,006	30,759	50,733
Unassigned.....	(81,956)	(69,623)	(138,868)	(84,532)	(64,483)
Total other governmental funds.....	\$ 227,827	\$ 799,868	\$ 1,080,242	\$ 1,127,636	\$ 1,101,917

⁽¹⁾ The City implemented GASB Statement No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.



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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)

	2006	2007	2008	2009 ^(b)	2010	2011	2012	2013	2014	2015
Other financing sources (uses):										
Transfers out.....	234,823	217,298	244,770	352,693	302,790	306,682	335,600	447,734	583,283	556,287
Issuance of bonds and notes.....	(555,165)	(658,847)	(724,172)	(746,178)	(740,348)	(830,825)	(742,719)	(800,783)	(875,296)	(1,001,086)
Face value of bonds issued.....	218,120	312,955	310,155	446,835	383,010	232,965	804,090	557,480	257,775	448,530
Premium on issuance of bonds.....	5,359	141	1,829	-	599	1,613	4,359	5,890	8,735	138,760
Payment to related bond escrow agent.....	-	-	(158,610)	(283,494)	(120,000)	-	(142,498)	(487,390)	-	(99,055)
Other financing sources - capital leases.....	6,882	12,789	24,254	24,881	20,748	19,769	12,304	13,470	12,669	7,750
Total other financing sources (uses).....	(88,038)	(253,600)	(413,587)	(18,764)	(6,257)	(197,055)	15,560	(154,260)	(82,516)	(200,148)
Net change in fund balances.....	\$ 247,228	\$ (83,645)	\$ (280,270)	\$ 13,343	\$ 14,073	\$ 128,481	\$ 409,515	\$ 131,480	\$ 288,418	\$ 351,984
Debt service as a percentage of operating expenditures.....	5.71%	5.51%	5.54%	5.79%	6.89%	7.07%	7.30%	6.80%	7.81%	7.59%
Debt service as a percentage of total expenditures.....	5.38%	5.04%	5.15%	5.51%	6.47%	6.82%	6.68%	6.04%	6.76%	6.71%

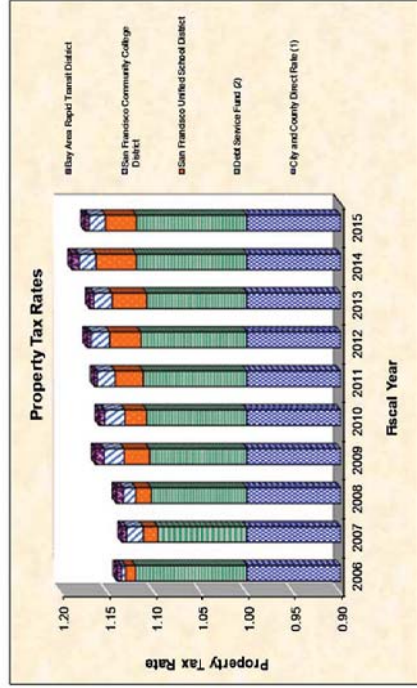
^(b) In fiscal year 2009-2010, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commence to Public Protection and General Administration and Finance.

CITY AND COUNTY OF SAN FRANCISCO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)
 (In Thousands)

	2006	2007	2008	2009 ^(b)	2010	2011	2012	2013	2014	2015
Revenues:										
Business taxes.....	\$ 1,098,151	\$ 1,107,864	\$ 1,178,688	\$ 1,272,365	\$ 1,331,957	\$ 1,380,246	\$ 1,423,857	\$ 1,421,764	\$ 1,517,891	\$ 1,642,159
Sales and use tax.....	329,153	327,922	395,025	388,653	354,019	301,779	437,678	480,131	563,008	611,932
Hotel room tax.....	175,138	194,723	190,967	172,784	184,769	181,474	198,236	208,025	227,638	240,424
Utility uses tax.....	76,444	78,729	86,994	89,801	94,537	91,683	91,676	91,871	96,610	98,292
Other local taxes.....	170,138	211,962	158,951	128,077	194,070	251,285	353,889	339,881	381,938	451,994
Fines, forfeitures and penalties.....	14,449	8,971	13,217	9,884	22,265	11,770	30,000	40,381	28,525	28,194
Interest and investment income.....	70,046	83,846	54,256	33,547	27,038	17,641	31,371	7,489	21,979	20,180
Rent and conceptions.....	52,428	52,493	70,160	77,014	78,527	78,995	88,183	98,770	90,712	98,102
Intergovernmental:										
Federal.....	300,965	351,688	323,315	302,392	448,890	464,704	420,974	420,775	420,514	465,136
State.....	23,800	23,800	15,989	15,907	15,907	15,907	15,907	15,907	15,907	15,907
Other.....	283,994	273,657	298,689	280,467	243,128	258,015	264,896	286,059	333,904	358,044
Charges for services.....	61,555	46,884	81,321	30,318	51,023	97,184	85,834	81,014	134,523	123,605
Other.....	3,357,584	3,586,102	3,672,587	3,680,785	3,790,275	4,100,371	4,255,498	4,483,950	4,895,272	5,345,741
Total revenues.....	977,508	955,456	1,018,510	1,099,648	1,021,626	1,031,161	1,070,320	1,145,864	1,172,697	1,216,147
Expenditures:										
Public works, transportation and commerce.....	274,689	280,907	248,569	248,915	243,454	208,920	254,879	223,294	232,005	200,989
Human welfare and neighborhood development.....	697,102	740,171	829,903	886,080	918,301	870,951	914,414	845,005	995,102	1,058,419
Community health.....	47,741	509,844	543,046	578,828	581,382	565,222	653,263	734,708	781,439	753,832
Culture and recreation.....	256,979	296,135	309,612	313,442	303,134	310,392	311,196	328,794	331,914	352,852
General administration and finance.....	181,195	187,805	210,054	190,680	187,221	191,641	201,159	211,138	233,977	251,370
Other.....	51,783	57,532	71,205	73,147	86,498	85,463	98,150	81,175	86,996	98,658
Debt service.....	86,970	98,169	106,590	126,011	154,051	149,231	167,465	154,542	190,266	204,497
Interest and fiscal charges.....	75,975	71,266	75,844	74,468	88,946	101,716	103,706	108,188	119,142	121,371
Bond insurance costs.....	1,995	3,863	1,090	4,746	2,145	2,161	5,386	2,913	2,185	2,774
Capital outlay.....	153,483	280,370	153,155	192,473	182,448	214,817	270,098	410,984	449,226	412,740
Debt retirement.....	3,156,828	3,156,828	3,156,828	3,156,828	3,156,828	3,156,828	3,156,828	3,156,828	3,156,828	3,156,828
Excess (deficiency) of revenues over (under) expenditures.....	338,226	219,228	133,371	30,137	20,000	30,526	198,662	146,867	330,334	452,112

CITY AND COUNTY OF SAN FRANCISCO
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 Last Ten Fiscal Years
 (Rate Per \$1,000 of Assessed Value)

Fiscal Year	Overlapping Rates									
	City and County Direct Rate (1)	Debt Service Fund (2)	San Francisco Unified School District	San Francisco Community College District	Bay Area Rapid Transit District	San Francisco Community College District	San Francisco Unified School District	San Francisco Community College District	Bay Area Rapid Transit District	Total
2006	1.00000000	0.12012547	0.07092226	0.00415227	0.00480000	0.00480000	0.00480000	0.00480000	0.00480000	1.1400
2007	1.00000000	0.09657879	0.01532351	0.01809770	0.00500000	0.00500000	0.00500000	0.00500000	0.00500000	1.1350
2008	1.00000000	0.10365766	0.01666883	0.01307551	0.00760000	0.00760000	0.00760000	0.00760000	0.00760000	1.1410
2009	1.00000000	0.10532956	0.02737873	0.02129561	0.00900000	0.00900000	0.00900000	0.00900000	0.00900000	1.1630
2010	1.00000000	0.10833903	0.03020000	0.02154066	0.00570000	0.00570000	0.00570000	0.00570000	0.00570000	1.1590
2011	1.00000000	0.11470000	0.03020000	0.01860000	0.00410000	0.00410000	0.00410000	0.00410000	0.00410000	1.1718
2012	1.00000000	0.11470000	0.03340000	0.01960000	0.00430000	0.00430000	0.00430000	0.00430000	0.00430000	1.1691
2013	1.00000000	0.10830000	0.03750000	0.01900000	0.00430000	0.00430000	0.00430000	0.00430000	0.00430000	1.1860
2014	1.00000000	0.11947956	0.04288739	0.01813305	0.00450000	0.00450000	0.00450000	0.00450000	0.00450000	1.1743
2015	1.00000000	0.11945760	0.03326497	0.01707743	0.00450000	0.00450000	0.00450000	0.00450000	0.00450000	1.1743



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
ASSESSED VALUE OF TAXABLE PROPERTY (1)(3)(4)
 Last Ten Fiscal Years
 (In Thousands)

Fiscal Year (4)	Real Property		Personal Property		Assessed Value		Exemptions (2)		Total Taxable Assessed Value		Total Direct Tax Rate
	Property	Personal	Property	Personal	Property	Personal	Non-reimbursable	Reimbursable	Property	Personal	
2006	\$ 4,463,077,101	\$ 1,524,897	\$ 13,033,004	\$ 13,033,004	\$ 4,476,110,101	\$ 1,526,421,004	\$ 657,144	\$ 7,333,816	\$ 4,475,452,957	\$ 1,529,087,788	1.00%
2007	4,368,897,654	3,807,382	140,695,016	140,695,016	4,372,705,036	144,502,398	657,144	10,134,413	4,372,047,892	144,502,398	1.00%
2008	4,368,897,654	3,807,382	140,695,016	140,695,016	4,372,705,036	144,502,398	657,144	10,134,413	4,372,047,892	144,502,398	1.00%
2009	4,368,897,654	3,807,382	140,695,016	140,695,016	4,372,705,036	144,502,398	657,144	10,134,413	4,372,047,892	144,502,398	1.00%
2010	4,368,897,654	3,807,382	140,695,016	140,695,016	4,372,705,036	144,502,398	657,144	10,134,413	4,372,047,892	144,502,398	1.00%
2011	4,368,897,654	3,807,382	140,695,016	140,695,016	4,372,705,036	144,502,398	657,144	10,134,413	4,372,047,892	144,502,398	1.00%
2012	4,368,897,654	3,807,382	140,695,016	140,695,016	4,372,705,036	144,502,398	657,144	10,134,413	4,372,047,892	144,502,398	1.00%
2013	4,368,897,654	3,807,382	140,695,016	140,695,016	4,372,705,036	144,502,398	657,144	10,134,413	4,372,047,892	144,502,398	1.00%
2014	4,368,897,654	3,807,382	140,695,016	140,695,016	4,372,705,036	144,502,398	657,144	10,134,413	4,372,047,892	144,502,398	1.00%
2015	4,368,897,654	3,807,382	140,695,016	140,695,016	4,372,705,036	144,502,398	657,144	10,134,413	4,372,047,892	144,502,398	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 are revenues lost to the City because of provisions of California Constitution, Article XIII (3) (k) homestead's 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 the former Redevelopment Agency, through January 31, 2012, and to the Successor Agency after January 31, 2012.

(3) Based on certified assessed values.

(4) Based on year end actual assessed values.

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 2015			Fiscal Year 2006		
		Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value (2)	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (2)
HWA 555 Owners LLC	Office, Commercial	\$ 945,282	1	0.48%	-	-	-
PPF Paramount One Market Plaza Owner LP	Office, Commercial	774,392	2	0.40%	-	-	-
Union Investment Real Estate GmbH	Office, Commercial	457,498	3	0.23%	-	-	-
Emporium Mall LLC	Retail, Commercial	432,617	4	0.22%	-	-	-
SF China Basin Holdings LLC	Office, Commercial	425,167	5	0.21%	-	-	-
Wingate Hotel LLC	Hotel	397,044	6	0.20%	398,743	6	0.36%
Wingate Hotel St LLC	Hotel	397,044	7	0.20%	-	-	-
Post-Montgomery Associates	Office, Commercial	389,025	8	0.19%	-	-	-
PPF Off One Maritime Plaza LP	Office, Commercial	388,599	10	0.19%	-	-	-
SF Hilton Inc.	Hotel	-	-	-	1,224,728	1	1.15%
Enbarcardero Center Venture	Office, Commercial	-	-	-	1,094,861	2	1.02%
Pacific Gas & Electric Company	Utilities, Commercial	-	-	-	424,443	4	0.40%
Wingate Hotel	Hotel	-	-	-	383,795	5	0.36%
EQP - One Market LLC	Office, Commercial	-	-	-	342,426	8	0.32%
China Basin Ballpark Company LLC	Possessory Interest-Stadium	-	-	-	337,477	9	0.32%
Olympic View Realty LLC (Park Mercad)	Apartments	-	-	-	281,960	10	0.26%
SBC California (Formerly Pacific Bell)	Office, Commercial	-	-	-	5,665,460	-	5.23%
Total		\$ 4,987,687		2.72%	\$ 5,665,460		5.23%

Source: Assessor, City and County of San Francisco

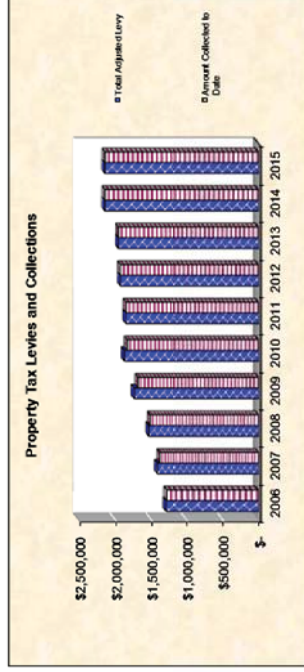
Notes:

(1) Data for fiscal year 2014-2015, updated as of July 1, 2014.

(2) Assessed values for fiscal years 2014-2015 and 2005-2006 are from the tax rolls of calendar years 2014 and 2005, respectively.

CITY AND COUNTY OF SAN FRANCISCO
PROPERTY TAX LEVIES AND COLLECTIONS (1) (2)
 Last Ten Fiscal Years
 (In Thousands)

Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date		
	Total Adjusted Levy	Amount	Percentage of Original Levy	Collections in Subsequent Years (3)	Amount	Percentage of Adjusted Levy
2006	\$ 1,291,491	\$ 1,263,396	97.82%	\$ 17,524	\$ 1,280,920	99.18%
2007	1,411,316	1,372,174	97.23	5,959	1,378,133	97.65
2008	1,530,484	1,487,715	97.21	20,781	1,508,496	98.56
2009	1,731,668	1,658,599	95.78	21,463	1,680,062	97.02
2010	1,868,098	1,787,809	95.70	40,111	1,827,920	97.85
2011	1,849,132	1,799,523	97.32	45,787	1,845,310	99.79
2012	1,922,368	1,883,666	97.99	37,566	1,921,232	99.94
2013	1,952,525	1,919,060	98.29	31,580	1,950,640	99.90
2014	2,138,245	2,113,284	98.83	23,009	2,136,293	99.91
2015	2,139,050	2,113,968	98.83	21,166	2,135,134	99.82



Source: Controller, City and County of San Francisco

Notes:

(1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District, the former San Francisco Redevelopment Agency, and the Successor Agency to San Francisco Redevelopment Agency.

(2) Does not include SB-813 supplemental property taxes.

(3) Collections in subsequent years reflect assessment appeals reduction.

CITY AND COUNTY OF SAN FRANCISCO
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years
 (In Thousands, except per capita amount)

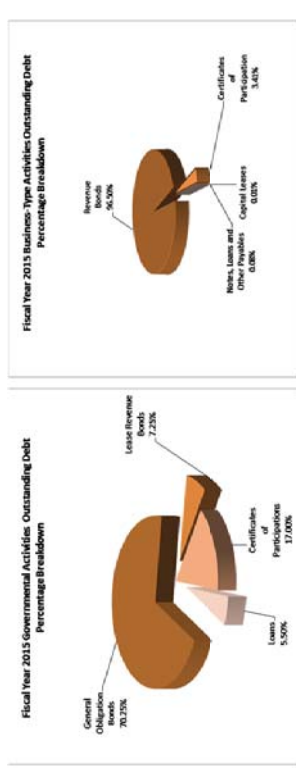
Fiscal Year	General Obligation Bonds ⁽¹⁾	Less: Amounts Restricted for Debt Service ⁽¹⁾	Total	Per Capita ^{(2),(3)}	Percentage of Taxable Assessed Value ⁽⁴⁾
2006	\$ 1,256,045	\$ 46,929	\$ 1,209,116	\$ 1,538	1.06%
2007	1,181,588	35,249	1,146,339	1,434	0.92
2008	1,135,205	31,883	1,103,322	1,365	0.82
2009	1,208,353	40,907	1,167,446	1,432	0.78
2010	1,442,448	36,901	1,405,547	1,746	0.87
2011	1,411,769	39,330	1,372,439	1,688	0.86
2012	1,617,397	51,033	1,566,364	1,897	0.95
2013	2,052,155	102,188	1,949,967	2,318	1.16
2014	2,105,885	95,451	2,010,434	2,358	1.14
2015	2,096,765	91,292	2,005,473	2,320	1.10

Notes:
 (1) Details regarding the City's outstanding debt can be found in the notes to the financial statements. In compliance with GASB Statement No. 65, the amount for general obligation bonds was restricted to exclude refunding gains or losses.
 (2) Population data can be found in Demographic and Economic Statistics.
 (3) FY 2013 and FY 2014 are updated with newly available data.
 (4) Taxable property data can be found in Assessed Value of Taxable Property and represents total assessed value less non-reimbursable exemptions.

CITY AND COUNTY OF SAN FRANCISCO
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years
 (In Thousands, except per capita amount)

Fiscal Year ⁽¹⁾	Governmental Activities					Business-Type Activities					Total	Per Capita ⁽⁴⁾
	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	Loans	Capital Leases	State of California - Revolving Fund Loans	Certificates of Participation ⁽¹⁾	Notes, Loans and Other Payables	Capital Leases	Subtotal		
2006	\$ 1,256,045	\$ 231,497	\$ 274,407	\$ 12,377	\$ 190,279	\$ 33,278	\$ 1,967,883					\$ 9,793
2007	1,181,588	250,095	417,063	11,640	186,736	27,353	2,073,475					9,556
2008	1,135,205	283,469	408,745	12,495	174,148	20,779	2,034,842					9,301
2009	1,208,353	356,563	459,124	13,357	191,393	1,019	2,257,844					9,307
2010	1,442,448	591,611	501,611	10,072	156,253	7,105	2,649,050					12,384
2011	1,411,769	283,155	597,121	10,072	141,377	-	2,433,484					14,723
2012	1,617,397	275,976	552,998	13,878	22,878	-	2,483,027					15,214
2013	2,052,155	264,828	574,683	18,184	9,741	-	2,920,591					15,214
2014	2,105,885	243,503	544,817	27,441	3,085	-	2,924,633					15,489
2015	2,096,765	216,527	507,504	163,837	-	-	2,984,633					15,489

Fiscal Year ⁽¹⁾	Revenue Bonds	State of California - Revolving Fund Loans	Certificates of Participation ⁽¹⁾	Notes, Loans and Other Payables	Capital Leases	Subtotal	Percentage of Personal Income ⁽¹⁾
2006	\$ 5,533,738	\$ 119,889	\$ -	\$ 22,982	\$ 5,522	\$ 5,701,090	7,688,973
2007	5,437,655	102,438	-	18,447	4,469	5,562,599	7,638,714
2008	5,373,878	89,101	-	13,749	3,843	5,480,571	7,515,413
2009	4,928,729	75,339	-	324,042	2,635	5,330,745	7,586,556
2010	7,152,582	61,140	184,112	73,322	1,416	7,482,572	9,973,271
2011	8,090,524	46,462	183,579	32,434	652	8,368,791	10,797,275
2012	9,280,590	36,889	348,641	7,163	3,155	9,676,439	12,159,464
2013	9,658,418	7,716	385,867	16,598	2,512	10,068,134	13,389,420
2014	9,668,418	-	355,113	7,840	1,174	10,032,545	13,389,420
2015	10,040,660	-	-	-	-	10,040,660	13,389,420



Notes:
 (1) In compliance with GASB Statement No. 65, the amount of outstanding obligations for fiscal year 2006-2013 was restated to exclude refunding gain of \$60.
 (2) The amount for fiscal year 2006 to 2010 was restated to exclude commercial paper issued by the San Francisco County Transportation Authority.
 (3) Certificates of Participation of \$22,550 was presented in FY 2010 in Capital Leases.
 (4) See Demographic and Economic Statistics, for personal income and population data.

CITY AND COUNTY OF SAN FRANCISCO
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years
 (In Thousands)

	Fiscal Year			
	2006	2007	2008	2010
Debt limit	\$ 3,419,607	\$ 3,749,434	\$ 4,050,223	\$ 4,497,000
Total net debt applicable to limit ⁽¹⁾	1,256,045	1,181,588	1,135,205	1,208,353
Legal debt margin	\$ 2,163,562	\$ 2,567,846	\$ 2,915,018	\$ 3,288,647
Total net debt applicable to the limit as a percentage of debt limit	36.73%	31.51%	28.03%	26.87%

	Fiscal Year		
	2011	2012	2015
Debt limit	\$ 4,785,088	\$ 4,962,746	\$ 5,030,049
Total net debt applicable to limit ⁽¹⁾	1,411,769	1,617,397	2,052,155
Legal debt margin	\$ 3,373,329	\$ 3,345,349	\$ 2,977,894

Total net debt applicable to the limit as a percentage of debt limit	29.50%	32.59%	40.80%
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Legal Debt Margin Calculation for Fiscal Year 2015

Total assessed value	\$ 190,922,988
Less: non-reimbursable exemptions ⁽²⁾	8,173,599
Assessed value ⁽²⁾	\$ 182,749,389
Debt limit (three percent of valuation subject to taxation ⁽³⁾)	\$ 5,482,482
Debt applicable to limit - general obligation bonds	2,096,765
Legal debt margin	\$ 3,385,717

Notes:

- ⁽¹⁾ Per outstanding general obligation bonds and restated to exclude refunding gain or loss.
- ⁽²⁾ Source: Assessor, City and County of San Francisco
- ⁽³⁾ City's Administrative Code Section 2.60 Limitations on Bonded Indebtedness.
 "There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County."

CITY AND COUNTY OF SAN FRANCISCO
DIRECT AND OVERLAPPING DEBT
 June 30, 2015

Debt	Total Debt Outstanding (in thousands)	Estimated Percentage Applicable to City and County ⁽¹⁾	Estimated Share of Overlapping Debt (in thousands)
General Obligation Bonds			
City and County of San Francisco direct debt	\$		2,096,765
San Francisco Unified School District	835,934	100.00%	835,934
San Francisco Community College District	321,355	100.00%	321,355
Bay Area Rapid Transit District	630,795	32.00%	201,854
Total General Obligation Bonds			3,455,908
Other Debt			
Lease Revenue Bonds	216,527	100.00%	216,527
Certificates of Participation	507,504	100.00%	507,504
Loans	163,837	100.00%	163,837
Total Other Debt			887,868
Total Direct and Overlapping Debt			4,343,776

Assessed valuation (net of non-reimbursable exemption) (in thousands)	\$ 182,749,389
Population - 2015 ⁽²⁾	864,421

Ratio of direct and overlapping general obligation debt per assessed valuation	1.89%
Ratio of total direct and overlapping debt per assessed valuation	2.36%
Estimated total direct and overlapping total debt per capita	\$5,025

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 district's boundaries and dividing it the City's total taxable assessed value.
- ⁽²⁾ Source: US Census Bureau

CITY AND COUNTY OF SAN FRANCISCO
PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years
 (In Thousands)

Fiscal Year	Operating Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue ⁽³⁾			Debt Service Interest ⁽⁴⁾	Total Coverage
			Principal	Adjustments ⁽⁵⁾	Revenue ⁽⁶⁾		
2006	\$ 460,673	\$ 267,387	\$ 193,286	\$ 79,125	\$ 193,419	\$ 273,844	0.77
2007	565,139	295,849	269,290	75,510	243,839	200,949	0.93
2008	674,068	315,823	358,245	88,205	178,372	266,577	1.01
2009	597,429	303,995	291,434	97,715	190,490	288,205	1.01
2010	622,709	331,399	291,434	134,800	177,581	288,205	1.01
2011	701,025	393,976	331,649	135,760	188,686	325,669	1.02
2012	714,116	375,433	341,510	148,676	192,834	305,314	1.02
2013	728,482	382,361	343,121	181,645	211,804	393,449	1.10
2014							
2015							

(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 expense related to the pledged revenue exclude interest, depreciation and amortization.

San Francisco International Airport⁽¹⁾

Fiscal Year	Gross Revenues ⁽²⁾	Less: Operating Expenses ⁽³⁾	Net Available Revenue ⁽⁴⁾			Debt Service Interest ⁽⁵⁾	Total Coverage	
			Principal	Adjustments ⁽⁶⁾	Revenue ⁽⁷⁾			
2006	\$ 213,499	\$ 168,934	\$ 110,638	\$ 137,203	\$ 14,790	\$ 20,885	\$ 35,975	3.88
2007	241,078	202,498	112,101	150,681	16,160	48,955	65,115	2.31
2008	246,885	223,052	134,215	158,048	19,170	45,023	64,193	2.46
2009	272,869	248,315	125,203	149,757	25,520	44,665	68,985	2.15
2010	275,041	277,970	141,615	138,686	26,605	42,980	68,995	1.99
2011	325,565	304,862	145,656	158,552	17,125	47,827	65,679	1.85
2012	325,565	304,862	145,656	158,552	17,125	47,827	65,679	1.85
2013	325,565	304,862	145,656	158,552	17,125	47,827	65,679	1.85
2014	300,789	333,555	426,527	483,761	25,850	115,476	141,326	3.42
2015	431,836	286,950	310,139	445,025	25,850	166,462	192,312	2.31

(4) 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.
 (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 interest payment was restricted to exclude capitalized interest in FY 2011 through FY 2012. FY 2012 through FY 2015 also includes "springing" amendments.
 (7) 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.
 (8) Municipal Transportation Agency

Fiscal Year	Base Rental and Gross Meter Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue ⁽³⁾			Debt Service Interest ⁽⁴⁾	Total Coverage
			Principal	Adjustments ⁽⁵⁾	Revenue ⁽⁶⁾		
2006	\$ 31,116	\$ 14,960	\$ 16,196	\$ 5,474	\$ 2,317	\$ 7,788	2.07
2007	31,801	16,907	14,894	5,734	1,989	7,723	1.93
2008	33,091	18,038	15,053	6,017	1,747	7,764	1.94
2009	33,970	18,879	15,053	5,165	1,395	6,860	2.29
2010	39,558	19,018	20,520	2,890	1,149	3,629	5.36
2011	47,414	21,419	21,685	1,948	1,068	2,880	10.59
2012	47,816	20,419	21,685	1,948	1,068	2,880	10.59
2013	607,125	471,480	135,635	3,075	1,856	4,931	27.51
2014	842,614	593,762	132,853	5,895	3,686	9,981	13.87
2015	626,312	527,125	98,187	7,656	6,945	14,640	6.78

(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 delisted/repaid off in FY2013.
 (10) Net Available Revenue includes revenue from the revenue bonds. Series 2012A and B, Series 2012A, included the bonds delisted above in Note (9) plus interest paid by the City. Series 2012B, included the bonds delisted above in Note (9) plus interest paid by the City.
 (11) Prior to FY2013, the operating expense includes only the costs related to parking meter program excluding debt service payments.
 (12) Effective FY2013, related to the new bonds as described in Note (10), the operating expense excludes expenses funded by the City's parking fees 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.

CITY AND COUNTY OF SAN FRANCISCO
PLEDGED-REVENUE COVERAGE (Continued)
 Last Ten Fiscal Years
 (In Thousands)

Fiscal Year	Gross Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue ⁽³⁾			Debt Service Interest ⁽⁴⁾	Total Coverage ⁽⁵⁾
			Principal	Adjustments ⁽⁶⁾	Revenue ⁽⁷⁾		
2006	\$ 170,517	\$ 140,954	\$ 35,788	\$ 65,351	\$ 17,219	\$ 17,219	3.80
2007	199,160	151,600	49,600	97,160	33,445	16,718	1.94
2008	206,648	165,245	66,109	107,512	34,500	15,688	2.14
2009	210,646	165,300	77,800	119,146	35,665	14,646	50.311
2010	211,889	165,512	86,880	113,267	37,130	13,183	50.313
2011	231,143	179,084	95,239	108,288	26,320	18,953	2.41
2012	247,936	195,857	107,125	159,204	22,010	20,190	42.190
2013	205,200	205,200	109,323	154,141	23,095	15,655	3.38
2014	262,497	216,485	172,831	216,360	32,805	32,047	64.852
2015	257,269	216,485	150,236	230,960	30,695	30,006	60.901

(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 revenue exclude interest."
 (16) Adjustments includes Depreciation and Non-Cash Expense, Changes in Working Capital, Investment Income, SRF Loan Payments, and other available funds that are printed in published Annual Disclosure Reports.
 (17) Net Available Revenue includes revenue from the revenue bonds.
 (18) Interest payment was restricted to exclude capitalized interest in FY 2011 through FY 2012. FY 2012 through FY 2015 also includes a "springing" amendment.

Port of San Francisco⁽¹⁾

Fiscal Year	Total Revenues ⁽²⁾	Less: Operating Expenses ⁽³⁾	Net Available Revenue ⁽⁴⁾			Debt Service Interest ⁽⁵⁾	Total Coverage
			Principal	Adjustments ⁽⁶⁾	Revenue ⁽⁷⁾		
2006	\$ 61,381	\$ 44,883	\$ 16,688	\$ 3,380	\$ 954	\$ 3,944	4.23
2007	65,416	50,887	14,529	3,975	453	4,428	3.28
2008	68,172	51,056	11,705	4,070	216	4,416	2.65
2009	70,723	52,423	12,549	4,260	221	4,730	2.33
2010	68,682	59,756	10,136	4,320	75	4,395	2.31
2011	73,774	51,788	21,986	4,485	2,358	2,843	7.73
2012	79,819	55,470	24,349	670	2,175	2,845	8.56
2013	81,536	63,615	17,921	695	2,151	2,846	6.30
2014	87,213	63,410	23,803	725	2,122	2,847	8.36
2015	96,266	60,836	35,430	1,400	2,771	4,171	8.49

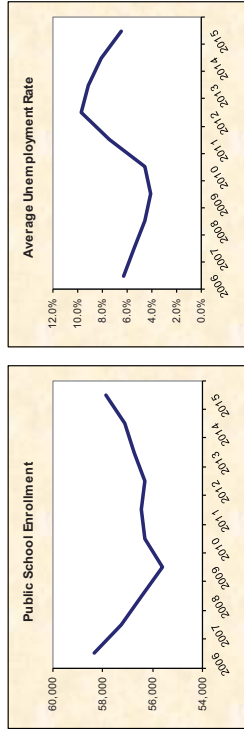
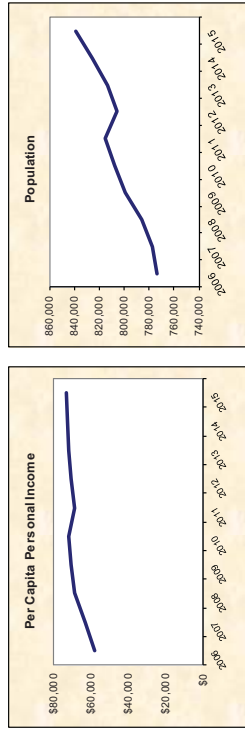
(19) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
 (20) Total revenues consist of operating revenues and interest and investment 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.

Fiscal Year	Gross Revenues ⁽²⁾	Less: Operating Expenses ⁽³⁾	Net Available Revenue ⁽⁴⁾			Debt Service Interest ⁽⁵⁾	Total Coverage
			Principal	Adjustments ⁽⁶⁾	Revenue ⁽⁷⁾		
2006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2007	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-
2010	97,671	49,337	4,907	48,334	422	422	114.54
2011	105,711	86,334	14,521	33,898	422	422	80.33
2012	113,253	86,266	14,786	41,773	422	422	98.99
2013	100,622	93,607	13,536	20,551	422	422	48.70
2014	101,191	93,259	6,765	14,687	1,009	688	1,907
2015	105,767	101,041	11,726	16,452	1,308	667	8.33
2016	117,704	105,222	38,890	51,372	625	625	26.40

(22) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
 (23) There were no Hetch Hetchy bonds from 2006 to 2008.
 (24) Gross revenues Hetch Hetchy charges for power services, rental income and other income.
 (25) Operating expenses only include power operating expense.
 (26) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.

CITY AND COUNTY OF SAN FRANCISCO
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Personal Income (In Thousands) ⁽²⁾	Per Capita Personal Income ⁽²⁾	Median Age ⁽³⁾	Public School Enrollment ⁽⁴⁾	Average Unemployment Rate ⁽⁵⁾
2006	785,149	\$ 53,902,906	\$ 68,566	39.4	57,276	4.6%
2007	799,185	56,306,703	70,455	39.4	56,459	4.1%
2008	808,001	58,199,006	72,028	40.0	55,590	4.6%
2009	815,358	56,037,063	68,727	40.4	56,315	7.4%
2010	805,235	56,665,228	70,371	38.5	56,454	9.7%
2011	812,826	58,619,926	72,119	37.3	56,299	9.2%
2012	825,863	60,059,972	72,724	38.5	56,758	8.1%
2013	841,138	63,777,061	75,822	37.9	57,105	6.5%
2014	852,469 ⁽⁶⁾	63,775,311 ⁽⁷⁾	74,812 ⁽⁸⁾	37.4 ⁽⁹⁾	57,860	5.2%
2015	864,421 ⁽⁶⁾	65,635,719 ⁽⁷⁾	75,930 ⁽⁸⁾	37.4 ⁽⁹⁾	58,414	3.9%



Sources:
 (1) US Census Bureau released on December 2012. Fiscal year 2012 is updated from last year's CAFR with newly available data
 (2) US Bureau of Economic Analysis
 (3) US Census Bureau - American Community Survey
 (4) California Department of Education
 (5) California Employment Development Department
 Notes:
 (6) 2014 is updated from last year's CAFR with newly available data. 2015 population was estimated by multiplying the estimated 2013 population by the 2012 - 2013 population growth rate.
 (7) Personal income was estimated by assuming that its percentage of state personal income in 2014 and 2015 remained at the 2013 level of 3.28 percent. Fiscal year 2014 is updated from last year's CAFR with newly available data.
 (8) Per capita personal income for 2014 and 2015 was estimated by dividing the estimated personal income for 2014 and 2015 by the reported and estimated population in 2013 and 2014, respectively. Fiscal year 2014 is updated from last year's CAFR with newly available data.
 (9) Median age in 2014 and 2015 was estimated by averaging the median age in 2012 and 2013. 2013 is updated from last year's CAFR with newly available data.

CITY AND COUNTY OF SAN FRANCISCO
Principal Employers
 Current Year and Nine Years Ago

Employer	Year 2014 (1)			Year 2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City and County of San Francisco.....	26,207	1	5.15%	28,220	1	5.36%
University of California, San Francisco..	20,600	2	4.04%	19,138	2	3.63%
San Francisco Unified School District...	8,497	3	1.67%	7,241	4	1.37%
Wells Fargo & Co.....	8,300	4	1.63%	7,581	3	1.44%
California Pacific Medical Center.....	5,837	5	1.15%	5,000	7	0.95%
Saleforce.....	5,000	6	0.98%	-	-	-
Gap, Inc.....	4,438	7	0.87%	4,180	9	0.79%
PG&E Corporation.....	4,297	8	0.84%	4,629	8	0.88%
State of California.....	4,078	9	0.80%	6,115	5	-
Kaiser Permanente.....	3,500	10	0.69%	3,860	10	0.73%
United States Postal Service.....	-	-	-	5,234	6	0.99%
Total.....	90,754		17.82%	91,198		17.31%

Source: Total City and County of San Francisco employee count is obtained from the State of California Employment 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 2014 is presented.

**CITY AND COUNTY OF SAN FRANCISCO
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years**

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Protection										
Police	1,706	1,665	1,726	1,602	1,532	1,512	1,474	1,463	1,464	1,484
Fire Department	2,664	2,765	2,870	2,949	2,757	2,681	2,655	2,727	2,784	2,784
Police Sheriff	944	939	951	1,016	1,048	963	1,010	1,013	984	1,015
Other	858	978	1,019	966	981	989	956	1,021	1,032	1,049
Total Public Protection	6,272	6,347	6,566	6,563	6,318	6,115	6,105	6,152	6,207	6,342
Public Works, Transportation and Commerce										
Municipal Transportation Agency	4,232	4,374	4,358	4,528	4,160	4,141	4,388	4,484	4,484	4,685
Port Commission	1,260	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268
Public Works	1,028	1,040	1,068	1,020	1,020	1,020	1,020	1,020	1,020	1,020
Public Utilities Commission	1,573	1,596	1,609	1,590	1,594	1,584	1,616	1,620	1,621	2,002
Other	532	538	543	565	490	508	538	553	612	626
Total Public Works, Transportation and Commerce	8,620	8,768	8,798	8,951	8,452	8,337	8,453	8,842	9,002	9,638
Community Health										
Public Health	5,956	5,988	6,196	6,023	5,838	5,696	5,671	5,800	6,126	6,294
Total Community Health	5,956	5,988	6,196	6,023	5,838	5,696	5,671	5,800	6,126	6,294
Human Welfare and Neighborhood Development										
Human Services	1,653	1,745	1,812	1,810	1,652	1,685	1,681	1,750	1,855	1,984
Other	306	310	312	309	296	294	289	244	244	246
Total Human Welfare and Neighborhood Development	1,959	2,055	2,124	2,119	1,958	1,989	1,960	1,994	2,099	2,230
Culture and Recreation										
Recreation and Park Commission	916	922	942	919	898	851	834	841	870	905
Public Library	606	631	641	649	645	628	640	652	661	661
War Memorial	95	96	96	97	63	63	63	63	57	58
Other	200	199	204	203	199	201	199	210	213	214
Total Culture and Recreation	1,817	1,848	1,883	1,869	1,760	1,724	1,754	1,754	1,792	1,838
General Administration and Finance										
Administrative Services	978	938	925	939	916	937	923	916	916	916
City Attorney	321	320	327	316	306	306	306	306	306	306
Communications and Information Services	261	270	285	292	210	198	199	216	209	209
Controller	179	184	188	190	184	201	198	204	219	219
Human Resources	151	156	155	144	138	119	123	124	135	157
Treasurer/Tax Collector	199	208	208	212	220	211	208	202	211	225
Mayor	48	51	57	55	49	42	37	49	49	50
Other	491	520	571	547	554	540	567	561	602	615
Total General Administration and Finance	2,028	2,151	2,318	2,278	2,346	2,232	2,288	2,359	2,441	2,554
General City Responsibility										
Subtotal annually funded positions	26,665	27,160	27,885	27,802	26,721	26,109	26,181	26,901	27,667	28,946
Capital project funded positions	1,598	1,628	1,750	1,519	1,028	1,895	1,892	1,496	1,569	1,310
Total annually funded positions	28,263	28,788	29,635	29,321	27,749	27,994	28,073	28,397	29,236	30,256

Source: Controller, City and County of San Francisco

Note:
(1) Data represent budgeted and funded full-time equivalent positions.

**CITY AND COUNTY OF SAN FRANCISCO
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (1)
Last Ten Fiscal Years**

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Protection										
Police	1,706	1,665	1,726	1,602	1,532	1,512	1,474	1,463	1,464	1,484
Fire Department	2,664	2,765	2,870	2,949	2,757	2,681	2,655	2,727	2,784	2,784
Police Sheriff	944	939	951	1,016	1,048	963	1,010	1,013	984	1,015
Other	858	978	1,019	966	981	989	956	1,021	1,032	1,049
Total Public Protection	6,272	6,347	6,566	6,563	6,318	6,115	6,105	6,152	6,207	6,342
Public Works, Transportation and Commerce										
Municipal Transportation Agency	4,232	4,374	4,358	4,528	4,160	4,141	4,388	4,484	4,484	4,685
Port Commission	1,260	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268	1,268
Public Works	1,028	1,040	1,068	1,020	1,020	1,020	1,020	1,020	1,020	1,020
Public Utilities Commission	1,573	1,596	1,609	1,590	1,594	1,584	1,616	1,620	1,621	2,002
Other	532	538	543	565	490	508	538	553	612	626
Total Public Works, Transportation and Commerce	8,620	8,768	8,798	8,951	8,452	8,337	8,453	8,842	9,002	9,638
Community Health										
Public Health	5,956	5,988	6,196	6,023	5,838	5,696	5,671	5,800	6,126	6,294
Total Community Health	5,956	5,988	6,196	6,023	5,838	5,696	5,671	5,800	6,126	6,294
Human Welfare and Neighborhood Development										
Human Services	1,653	1,745	1,812	1,810	1,652	1,685	1,681	1,750	1,855	1,984
Other	306	310	312	309	296	294	289	244	244	246
Total Human Welfare and Neighborhood Development	1,959	2,055	2,124	2,119	1,958	1,989	1,960	1,994	2,099	2,230
Culture and Recreation										
Recreation and Park Commission	916	922	942	919	898	851	834	841	870	905
Public Library	606	631	641	649	645	628	640	652	661	661
War Memorial	95	96	96	97	63	63	63	63	57	58
Other	200	199	204	203	199	201	199	210	213	214
Total Culture and Recreation	1,817	1,848	1,883	1,869	1,760	1,724	1,754	1,754	1,792	1,838
General Administration and Finance										
Administrative Services	978	938	925	939	916	937	923	916	916	916
City Attorney	321	320	327	316	306	306	306	306	306	306
Communications and Information Services	261	270	285	292	210	198	199	216	209	209
Controller	179	184	188	190	184	201	198	204	219	219
Human Resources	151	156	155	144	138	119	123	124	135	157
Treasurer/Tax Collector	199	208	208	212	220	211	208	202	211	225
Mayor	48	51	57	55	49	42	37	49	49	50
Other	491	520	571	547	554	540	567	561	602	615
Total General Administration and Finance	2,028	2,151	2,318	2,278	2,346	2,232	2,288	2,359	2,441	2,554
General City Responsibility										
Subtotal annually funded positions	26,665	27,160	27,885	27,802	26,721	26,109	26,181	26,901	27,667	28,946
Capital project funded positions	1,598	1,628	1,750	1,519	1,028	1,895	1,892	1,496	1,569	1,310
Total annually funded positions	28,263	28,788	29,635	29,321	27,749	27,994	28,073	28,397	29,236	30,256

Source: Controller, City and County of San Francisco

Note:
(1) Data represent budgeted and funded full-time equivalent positions.

**CITY AND COUNTY OF SAN FRANCISCO
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years**

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police protection ⁽¹⁾										
Number of stations.....	10	10	10	10	10	10	10	10	10	10
Number of police officers.....	2,070	2,304	2,455	2,356	2,261	2,288	2,243	2,164	2,130	2,203
Fire protection ⁽²⁾										
Number of stations.....	48	42	42	42	42	46	46	46	46	47
Number of firefighters.....	1,333	1,012	978	809	768	778	718	817	898	907
Public works										
Miles of street ⁽³⁾	1,051	1,051	1,291	1,318	1,317	1,317	1,315	1,315	1,299	1,287
Number of streetlights ⁽⁴⁾	41,571	42,029	42,957	43,492	43,973	44,530	44,594	44,655	44,656	44,907
Water ⁽⁴⁾										
Number of services.....	170,471	170,873	172,471	172,885	172,680	173,033	173,454	173,744	173,970	174,111
Average daily consumption (million gallons).....	236.3	247.1	247.5	238.6	219.9	213.6	212.0	215.1	217	190
Miles of water mains.....	1,457	1,457	1,457	1,465	1,465	1,473	1,488	1,488	1,488	1,499
Sewers ⁽⁴⁾										
Miles of collecting sewers.....	983	983	983	983	983	983	959	966	983	983
Miles of transport/storage sewers.....	15	15	17	17	17	17	17	24	17	17
Recreation and cultures										
Number of parks ⁽⁵⁾	220	209	222	222	220	220	220	221	221	220
Number of libraries ⁽⁶⁾	27	28	28	28	28	28	28	28	28	28
Number of libraries ⁽⁶⁾	2.6	2.7	2.8	2.9	3.3	3.5	3.6	3.5	3.6	3.6
Public school education ⁽⁷⁾										
Attendance centers.....	117	112	112	112	115	115	115	115	116	116
Number of classrooms.....	3,390	3,256	3,269	2,723	2,779	2,797	2,797	2,877	3,135	3,160
Number of teachers, full-time equivalent.....	3,103	3,103	3,113	3,167	3,312	3,132	3,245	3,129	3,129	3,281
Number of students.....	56,236	55,497	56,259	55,272	55,779	55,571	56,310	56,970	57,620	58,414

Sources:

- (1) Public Commission, City and County of San Francisco
- (2) Fire Commission, City and County of San Francisco
- (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 C

**CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER
INVESTMENT POLICY**



**CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER & TAX COLLECTOR**

INVESTMENT POLICY

Effective May 2016

1.0 Policy

It is the policy of the Office of the Treasurer & Tax Collector of the City and County of San Francisco (Treasurer's Office) to invest public funds in a manner which will preserve capital, meet the daily cash flow demands of the City, and provide a market rate of return while conforming to all state and local statutes governing the investment of public funds.

2.0 Scope

This investment policy applies to all funds over which the Treasurer's Office has been granted fiduciary responsibility and direct control for their management.

3.0 Prudence

The standard of prudence to be used by the Treasurer's Office shall be the Prudent Investor Standard as set forth by California Government Code, Section 53600.3 and 27000.3. The Section reads as follows: The Prudent Investor Standard states that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Treasurer's Office, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Treasurer's Office.

This standard of prudence shall be applied in the context of managing those investments that fall under the Treasurer's direct control. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 Objective

The primary objectives, in priority order, of the Treasurer's Office's investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the Treasurer's Office shall be undertaken in a manner that seeks to ensure the preservation of capital. To attain this objective, the Treasurer's Office will diversify its investments.

4.2 Liquidity: The Treasurer's Office investment portfolio will remain sufficiently liquid to enable the Treasurer's Office to meet cash flow needs which might be reasonably anticipated.

4.3 Return on Investments: The portfolio shall be designed with the objective of generating a market rate of return without undue compromise of the first two objectives.

5.0 Delegation of Authority

The Treasurer of the City and County of San Francisco (Treasurer) is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4, Article 1. The Treasurer shall submit any modification to this Investment Policy to the Treasury Oversight Committee members within five (5) working days of the adoption of the change.

6.0 Authorized Broker/Dealer Firms

The City seeks to employ a fair and unbiased broker-dealer selection process, which culminates in an array of medium to large-sized firms that provide the best investment opportunities and service to the City.

The Treasurer's Office will evaluate and classify broker-dealers based on the qualifications of the firm and firm's assigned individual. Approved broker-dealers will be evaluated and may be classified into one of the following categories:

FULL ACCESS – Broker-dealers will have significant opportunity to present investment ideas to the investment team.

LIMITED ACCESS – Broker-dealers will have limited opportunity to present investment ideas to the investment team.

All others may apply for Provisional status appointment. Provisional appointments will be made for:

- (1) Applicants who have changed firms;
- (2) Applicants (firm and individual) who were not approved by the Treasurer's Office in the past year; and
- (3) Broker-dealers who have been classified as Limited Access, but are seeking Full Access status.

Broker-dealers, who are granted Provisional status, will be treated as Full Access firms for a limited time period of up to six months. During the Provisional status period, the investment team will evaluate the applicant and provide a determination of status (Full Access, Limited Access or Not Approved). Broker-dealers may reapply for Provisional status every two years. A limited number of broker-dealers will be granted Provisional status concurrently.

All broker-dealers are encouraged to apply for consideration. All applicants will be evaluated and classified based on the qualifications of the firm and the firm's assigned individual. A score will be assigned to each applicant and will serve as the sole determinant for Full Access, Limited Access, or Not-Approved status.

All approved broker-dealers will be re-assessed annually. During the reassessment period, broker-dealers will be sent the City's most recent Investment Policy and are expected to respond with a policy acknowledgement letter, updated profile information and a completed questionnaire.

All securities shall be purchased and sold in a competitive environment.

The Treasurer's Office will not do business with a firm which has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices.

7.0 Authorized & Suitable Investments

Investments will be made pursuant to the California Government Code (including Section 53601 et seq.) and this investment policy to ensure sufficient liquidity to meet all anticipated disbursements.

Unless otherwise noted, the maximum maturity from the trade settlement date can be no longer than five years.

Types of investment vehicles not authorized by this investment policy are prohibited.

In an effort to limit credit exposure, the Treasurer's Office will maintain Eligible Issuer, Eligible Counterparty and Eligible Money Market lists for security types where appropriate. These lists are intended to guide investment decisions. Investments, at time of purchase, are limited solely to issuers, counterparties and money market funds listed; however, investment staff may choose to implement further restrictions at any time.

The Treasurer's Office shall establish a Credit Committee comprised of the Treasurer, Chief Assistant Treasurer, Chief Investment Officer and additional investment personnel at the Treasurer's discretion. The Committee shall review and approve all eligible issuers and counterparties prior to inclusion on the aforementioned Eligible Issuer and Eligible Counterparty lists. The Committee shall also be charged with determining the collateral securing the City's repurchase agreements.

In the event of a downgrade of the issuer's credit rating below the stated requirements herein, the Credit Committee shall convene and determine the appropriate action.

In addition, the Treasurer's Office shall conduct an independent credit review, or shall cause an independent credit review to be conducted, of the collateralized CD issuers to determine the creditworthiness of the financial institution. The credit review shall include an evaluation of the issuer's financial strength, experience, and capitalization, including, but not limited to leverage and capital ratios relative to benchmark and regulatory standards (See Section 7.4). The following policy shall govern unless a variance is specifically authorized by the Treasurer and reviewed by the Treasury Oversight Committee pursuant to Section 5.0.

7.1 U.S. Treasuries

United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
100% of the portfolio value	100%	100%	5 years

7.2 Federal Agencies

Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
100% of the portfolio value	100%	100%	5 years

7.3 State and Local Government Agency Obligations

The Treasurer's Office may purchase bonds, notes, warrants, or other evidences of indebtedness of any local or State agency within the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or State, or by a department, board, agency, or authority of the local agency or State.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
20% of the portfolio value	5%	No Limit	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO (Nationally Recognized Statistical Rating Organization). This limitation applies to all local and State agencies within the 50 United States with the exception of the State of California.

7.4 Public Time Deposits (Term Certificates Of Deposit)

The Treasurer's Office may invest in non-negotiable time deposits (CDs) that are FDIC insured or fully collateralized in approved financial institutions.

The Treasurer's Office will invest in FDIC-insured CDs only with those firms having at least one branch office within the boundaries of the City and County of San Francisco.

Collateralized CDs are required to be fully collateralized with 110% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i). The Treasurer's Office, at its discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. The Treasurer's Office shall have a signed agreement with any depository accepting City funds per Government Code Section 53649.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
No Limit	None	N/A	13 months

Issuer Minimum Credit Rating (applies to collateralized CDs only): Maintenance of the minimum standards for "well-capitalized" status as established by the Federal Reserve Board. The current standards are as follows:

- Tier 1 risk-based capital ratio of 8% or greater
- Combined Tier 1 and Tier 2 capital ratio of 10% or greater
- Leverage ratio of 5% or greater

Failure to maintain minimum standards may result in early termination, subject to the discretion of the Treasurer's Office.

7.5 Negotiable Certificates Of Deposit / Yankee Certificates Of Deposit

Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Yankee certificates of deposit are negotiable instruments that are issued by a branch of a foreign bank.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
30% of the portfolio value	No Limit	N/A	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

7.6 Bankers Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
40% of the portfolio value	No Limit	No Limit	180 days

Issuer Minimum Credit Rating: None

7.7 Commercial Paper

Obligations issued by a corporation or bank to finance short-term credit needs, such as accounts receivable and inventory, which may be unsecured or secured by pledged assets.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
25% of the portfolio value	10%	None	270 days

Issuer Minimum Credit Rating: Issuers must possess a short-term credit rating of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

7.8 Medium Term Notes

Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state, and operating within the U.S.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
25% of the portfolio value	10%	5%	24 months

Issuer Minimum Credit Rating: Issuers must possess either a short-term or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

7.9 Repurchase Agreements

To the extent that the Treasurer's Office utilizes this investment vehicle, said collateral shall be delivered to a third party custodian, so that recognition of ownership of the City and County of San Francisco is perfected.

Type of collateral	Allocation Maximum	Issuer Limit Maximum	Maturity/Term Maximum
Government securities	No Limit	N/A	1 year
Securities permitted by CA Government Code, Sections 53601 and 53635	10%	N/A	1 year

7.10 Reverse Repurchase and Securities Lending Agreements

This procedure shall be limited to occasions when the cost effectiveness dictates execution, specifically to satisfy cash flow needs or when the collateral will secure a special rate. A reverse repurchase agreement shall not exceed 45 days; the amount of the agreement shall not exceed \$75MM; and the offsetting purchase shall have a maturity not to exceed the term of the repo.

7.11 Money Market Funds

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.).

Fund Type	Allocation Maximum	Issuer Limit Maximum	Percentage of Fund's Net Assets Maximum	Maturity/Term Maximum
Institutional Government Funds	10% of total Pool assets	N/A	5%	N/A (397-day mandated final maturity maximum)
Institutional Prime Funds	5% of total Pool assets	N/A	N/A	60-day maximum final maturity

Issuer Minimum Credit Rating: Fund rating must be rated in at least the second highest rating category from two NRSRO or independent investment research firms (e.g. Morningstar or Lipper).

7.12 Local Agency Investment Fund (LAIF)

Investments in LAIF, a California state investment fund available to California municipalities, are authorized.

7.13 Supranationals*

United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by:

- International Bank for Reconstruction and Development,
- International Finance Corporation, or
- Inter-American Development Bank,

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
5%	None	None	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

* Effective as of January 1, 2015, as consistent with State Law.

8.0 Interest and Expense Allocations

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets, managing and accounting for the banking; receiving and remitting deposits; oversight controls; and indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated and charged to the Pooled Investment Fund on a quarterly basis, with the exception of San Francisco International Airport costs which are charged directly through a work order.

The San Francisco Controller allocates the net interest earnings of the Pooled Investment Fund. The earnings are allocated monthly based on average balances.

9.0 Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer's Office shall be conducted on a delivery-versus-payment (DVP) basis pursuant to approved custodial

safekeeping agreements. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

10.0 Deposit and Withdrawal of Funds

California Government Code Section 53684 et seq. provides criteria for outside local agencies, where the Treasurer does not serve as the agency's treasurer, to invest in the County's Pooled Investment Fund, subject to the consent of the Treasurer. Currently, no government agency outside the geographical boundaries of the City and County of San Francisco shall have money invested in City pooled funds.

The Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the San Francisco Controller. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the Treasurer. In accordance with California Government Code Sections 27136 et seq. and 27133(h) et seq., such requests for withdrawals must first be made in writing to the Treasurer. These requests are subject to the Treasurer's consideration for the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Pooled Investment Fund. Any withdrawal for such purposes shall be at the value shown on the Controller's books as of the date of withdrawal.

11.0 Limits on Receipt of Honoraria, Gifts and Gratuities

In accordance with California Government Code Section 27133(d) et seq., this Investment Policy hereby establishes limits for the Treasurer, individuals responsible for management of the portfolios, and members of the Treasury Oversight Committee on the receipt of honoraria, gifts and gratuities from advisors, brokers, dealers, bankers or other persons with whom the Treasurer conducts business. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of those limits must report the gifts, dates and firms to the Treasurer and complete the appropriate State disclosure.

These limits may be in addition to the limits set by a committee member's own agency, by state law, or by the California Fair Political Practices Commission. Members of the Treasury Oversight Committee also must abide by the following sections of the Treasurer's Office Statement of Incompatible Activities: Section III(A)(1)(a), (b) and (c) entitled "Activities that Conflict with Official Duties," and Section III(C) entitled "Advance Written Determination".

12.0 Reporting

In accordance with the provisions of California Government Code Section 53646, which states that the Treasurer may render a quarterly report or a monthly report on the status of the investment portfolio to the Board of Supervisors, Controller and Mayor; the Treasurer regularly submits a monthly report. The report includes the investment types, issuer, maturity date, par value, and dollar amount invested; market value as of the date of the report and the source of the valuation; a statement of compliance with the investment policy or an explanation for non-compliance; and a statement of the ability or inability to meet expenditure requirements for six months, as well as an explanation of why moneys will not be available if that is the case.

13.0 Social Responsibility

In addition to and subordinate to the objectives set forth in Section 4.0 herein, investment of funds should be guided by the following socially responsible investment goals when investing in corporate securities and depository institutions. Investments shall be made in compliance with the forgoing socially responsible investment goals to the extent that such investments achieve substantially equivalent safety, liquidity and yield compared to investments permitted by state law.

13.1 Social and Environmental Concerns

Investments are encouraged in entities that support community well-being through safe and environmentally sound practices and fair labor practices. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability or sexual orientation. Investments are discouraged in entities that manufacture tobacco products, firearms, or nuclear weapons. In addition, investments are encouraged in entities that offer banking products to serve all members of the local community, and investments are discouraged in entities that finance high-cost check-cashing and deferred deposit (payday-lending) businesses. Prior to making investments, the Treasurer's Office will verify an entity's support of the socially responsible goals listed above through direct contact or through the use of a third party such as the Investors Responsibility Research Center, or a similar ratings service. The entity will be evaluated at the time of purchase of the securities.

13.2 Community Investments

Investments are encouraged in entities that promote community economic development. Investments are encouraged in entities that have a demonstrated involvement in the development or rehabilitation of low income affordable housing, and have a demonstrated commitment to reducing predatory mortgage lending and increasing the responsible servicing of mortgage loans. Securities investments are encouraged in financial institutions that have a Community Reinvestment Act (CRA) rating of either Satisfactory or Outstanding, as well as financial institutions that are designated as a Community Development Financial Institution (CDFI) by the United States Treasury Department, or otherwise demonstrate commitment to community economic development.

13.3 City Ordinances

All depository institutions are to be advised of applicable City contracting ordinances, and shall certify their compliance therewith, if required.

14.0 Treasury Oversight Committee

A Treasury Oversight Committee was established by the San Francisco Board of Supervisors in Ordinance No. 316-00. The duties of the Committee shall be the following:

(a) Review and monitor the investment policy described in California Government Code Section 27133 and prepared annually by the Treasurer.

(b) Cause an annual audit to be conducted to determine the Treasurer's compliance with California Government Code Article 6 including Sections 27130 through 27137 and City Administrative Code Section 10.80-1. The audit may examine the structure of the investment portfolio and risk. This audit may

be a part of the County Controller's usual audit of the Treasurer's Office by internal audit staff or the outside audit firm reviewing the Controller's Annual Report.

(c) Nothing herein shall be construed to allow the Committee to direct individual decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the Treasurer. (See California Government Code, Section 27137.)

APPENDIX

Glossary

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASK/OFFER: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The CAFR is the City's official annual financial report. It consists of three major sections: introductory, financial, and statistical. The introductory section furnishes general information on the City's structure, services, and environment. The financial section contains all basic financial statements and required supplementary information, as well as information on all individual funds and discretely presented component units not reported separately in the basic financial statements. The financial section may also include supplementary information not required by GAAP. The statistical section provides trend data and nonfinancial data useful in interpreting the basic financial statements and is especially important for evaluating economic condition.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DEPOSITORY INSTITUTIONS: These institutions hold City and County moneys in the forms of certificates of deposit (negotiable or term), public time deposits and public demand accounts.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FDIC DEPOSIT INSURANCE COVERAGE: The FDIC is an independent agency of the United States government that protects against the loss of insured deposits if an FDIC-insured bank or savings association fails. Deposit insurance is backed by the full faith and credit of the United States government. Since the FDIC was established, no depositor has ever lost a single penny of FDIC-insured funds. FDIC insurance covers funds in deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit (CDs). FDIC insurance does not, however, cover other financial products and services that insured banks may offer, such as stocks, bonds, mutual fund shares, life insurance policies, annuities or municipal securities. There is no need for depositors to apply for FDIC insurance or even to request it. Coverage is automatic. To ensure funds are fully protected, depositors should understand their deposit insurance coverage limits. The FDIC provides separate insurance coverage for deposits held in different ownership categories such as single accounts, joint accounts, Individual Retirement Accounts (IRAs) and trust accounts.

Basic FDIC Deposit Insurance Coverage Limits*

Single Accounts (owned by one person) \$250,000 per owner

Joint Accounts (two or more persons) \$250,000 per co-owner

IRAs and certain other retirement accounts \$250,000 per owner

Trust Accounts \$250,000 per owner per beneficiary subject to specific limitations and requirements**

*The financial reform bill, officially named the Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010, made the \$250,000 FDIC coverage limit permanent.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL FUNDS RATE: The rate of interest that depository institutions lend monies overnight to other depository institutions. Also referred to as the overnight lending rate. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): Freddie Mac's mission is to provide liquidity, stability and affordability to the housing market. Congress defined this mission in (their) 1970 charter. Freddie Mac buys mortgage loans from banks, thrifts and other financial intermediaries, and re-sells these loans to investors, or keeps them for their own portfolio, profiting from the difference between their funding costs and the yield generated by the mortgages.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

GOVERNMENT SECURITIES: Obligations of the U.S. Government and its agencies and instrumentalities.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

NRSRO: Nationally Recognized Statistical Rating Organization; Credit rating agencies that are registered with the SEC. Such agencies provide an opinion on the creditworthiness of an entity and the financial obligations issued by an entity.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The principal amount of a bond returned by the maturity date.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

PUBLIC TIME DEPOSITS (Term Certificates Of Deposit): Time deposits are issued by depository institutions against funds deposited for a specified length of time. Time deposits include instruments such as deposit notes. They are distinct from certificates of deposit (CDs) in that interest payments on time deposits are calculated in a manner similar to that of corporate bonds whereas interest payments on CDs are calculated similar to that of money market instruments.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15(C)3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$75,130,000
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2015),
SERIES 2016F

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City and County of San Francisco (the “City”) in connection with the issuance of the bonds captioned above (the “Bonds”). The Bonds are issued pursuant to Resolution No. 407-16 and Resolution No. 408-16, both adopted by the Board of Supervisors of the City on September 20, 2016, and duly approved by the Mayor of the City on September 29, 2016 (together, the “Resolution”). 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 Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 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” shall mean the City, acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Holder” shall mean either the registered owners of the 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” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters or purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City’s fiscal year (which is June 30), commencing with the report for the 2015-16 Fiscal Year (which is due not later than March 27, 2017), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

- (a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities;
- (b) a summary of budgeted general fund revenues and appropriations;
- (c) a summary of the assessed valuation of taxable property in the City;
- (d) a summary of the *ad valorem* property tax levy and delinquency rate;
- (e) a schedule of aggregate annual debt service on tax-supported indebtedness of the City; and
- (f) summary of outstanding and authorized but unissued tax-supported indebtedness of the City.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-9 with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 10-16 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

10. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
11. Modifications to rights of Bond holders;
12. Unscheduled or contingent Bond calls;
13. Release, substitution, or sale of property securing repayment of the Bonds;
14. Non-payment related defaults;
15. The 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; or
16. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under

applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(12) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

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 Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4, 5(a) or 5(b), 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 issuance 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 shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. 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 shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: November 1, 2016.

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 Bond Issue: CITY AND COUNTY OF SAN FRANCISCO TAXABLE GENERAL
OBLIGATION BONDS
(AFFORDABLE HOUSING, 2015) SERIES 2016F

Date of Issuance: November 1, 2016

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated November 1, 2016. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____ [to be signed only if filed]
Title: _____

APPENDIX E

DTC AND THE BOOK ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-10 of this Appendix E, concerning The Depository Trust Company (“DTC”) and DTC’s book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this appendix, “Securities” means the Bonds, “Issuer” means the City, and “Agent” means the Paying Agent.

Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company (“DTC”) will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be

accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds of a maturity are being redeemed, DTC will determine pro rata the amount of the interest of each Direct Participant in such maturity to be redeemed as notified by the City Treasurer. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer and exchange of the Bonds.

Payment of the interest on any Bond shall be made by check mailed on the interest payment date to the owner at the owner's address as it appears on the registration books described below as of the Record Date (as defined herein).

The City Treasurer will keep or cause to be kept, at the office of the City Treasurer, or at the designated office of any registrar appointed by the City Treasurer, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection, and, upon presentation for such purpose, the City Treasurer shall, under such reasonable regulations as he or she may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

Any Bond may, in accordance with its terms, be transferred, upon the registration books described above, by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of such Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the City Treasurer.

Any Bonds may be exchanged at the office of the City Treasurer for a like aggregate principal amount of other authorized denominations of the same interest rate and maturity.

Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the designated City officials shall execute and the City Treasurer shall authenticate and deliver a new Bond or Bonds of the same series, interest rate and maturity, for a like aggregate principal amount. The City Treasurer shall require the payment by any Bond owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfer or exchange of Bonds shall be required to be made by the City Treasurer during the period from the Record Date (as defined in this Official Statement) next preceding each interest payment date to such interest payment date or after a notice of redemption shall have been mailed with respect to such Bond.



APPENDIX F

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

November 1, 2016

Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

OPINION: \$75,130,000 City and County of San Francisco
Taxable General Obligation Bonds (Affordable Housing, 2015),
Series 2016F

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the City and County of San Francisco (the “City”) of its general obligation bonds captioned above (the “Bonds”). The Bonds have been issued by the City under the Constitution and laws of the State of California; Ordinance No. 121-15, adopted by the Board of Supervisors on July 21, 2015; a special election held on November 3, 2015, in which the requisite two-thirds of all voters voting on the proposition approved the issuance of the Bonds; Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the California Government Code; the City Charter; and Resolution No. 407-16 and Resolution No. 408-16, both adopted by the Board of Supervisors on September 20, 2016, and approved by the Mayor on September 29, 2016 (together, the “Resolutions”). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Resolutions and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is a municipal corporation and chartered city and county, duly organized and existing under its Charter and the laws of the State of California (“State”), with the power to adopt the Resolutions, perform the agreements on its part contained therein, and issue the Bonds.
2. The Bonds are valid and binding general obligations of the City.
3. The City has the power, is obligated, and in the Resolutions has covenanted, to levy ad valorem taxes upon all property within the City subject to taxation by the City, without limitation of rate or amount, for the payment of the Bonds and the interest thereon.
4. Interest on the Bonds is not intended by the City to be excluded from gross income for purposes of all applicable federal income taxation.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

