NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: Moody's: A1
S&P: AA-
Fitch: A+
(See "RATINGS" herein)

In the separate opinions of Squire Sanders (US) LLP and Amira Jackmon, Attorney at Law, Co-Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$9,815,000
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE BONDS, SERIES 2012A
(EQUIPMENT PROGRAM)

Dated: Date of Delivery **Due: April 1 and October 1, see inside cover**

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

The Bonds captioned above (the "Bonds") are being issued to: (i) finance the acquisition and installation of certain equipment (the "Equipment" or the "Project"); (ii) pay costs associated with the issuance of the Bonds; (iii) fund the Series 2012A Reserve Account established under the Indenture for the Bonds; (iv) fund the Working Capital Fund established under the Indenture; and (v) fund capitalized interest payable with respect to a portion of the Bonds through July 1, 2013. See "ESTIMATED SOURCES AND USES OF FUNDS."

The Bonds are issued pursuant to an Indenture, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by the Nineteenth Supplemental Indenture, dated as of May 1, 2012 (collectively, the "Indenture"), by and between the City and County of San Francisco Finance Corporation (the "Corporation"), and U.S. Bank National Association, as trustee (the "Trustee"), and in accordance with the Charter of the City and County of San Francisco (the "City"). See "THE BONDS – Authority For Issuance." Principal of and interest on the Bonds are payable from certain funds held under the Indenture, including principally Base Rental payable by the City related to the Equipment pursuant to an Equipment Lease, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by Equipment Lease Supplement No. 18, dated as of May 1, 2012, by and between the Corporation, as lessor, and the City, as lessee (collectively, the "Lease"). The City has covenanted in the Lease to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments in its annual budget, and to make necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Covenant to Budget." The obligation of the City to pay Base Rental is in consideration for the use and possession of the Equipment, and such obligation may be abated in whole or in part if there is substantial interference with the City's use and possession of the Equipment. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Abatement of Base Rental Payments" and "CERTAIN RISK FACTORS – Abatement."

The Bonds will be issued only as fully registered bonds without coupons, and when issued will be registered in the name of Cede & Co., as the nominee of The Depository Trust Company, New York, New York ("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 Trustee to DTC, which in turn is required to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Form and Registration" and APPENDIX F: "DTC AND THE BOOK-ENTRY ONLY SYSTEM." The Bonds will be dated and bear interest from their date of delivery. Interest on the Bonds will be payable on April 1 and October 1 of each year, commencing October 1, 2012. Principal is payable in accordance with the maturity schedule shown on the inside cover.

The Bonds are subject to special redemption prior to their respective stated maturities. The Bonds are not subject to optional redemption. See "THE BONDS – Redemption Provisions."

THE BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS MADE BY THE CITY PURSUANT TO THE LEASE RELATED TO THE EQUIPMENT AND OTHER AMOUNTS (INCLUDING THE PROCEEDS OF THE SALE OF THE BONDS) HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE INDENTURE, OTHER THAN THE REBATE FUND. USE OF AMOUNTS HELD IN SUCH FUNDS AND ACCOUNTS IS SUBJECT TO THE PROVISIONS OF THE INDENTURE PERMITTING THE APPLICATION OF SUCH AMOUNTS FOR THE PURPOSES AND ON THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE. THE CORPORATION SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS ONLY FROM THE FUNDS DESCRIBED IN THE INDENTURE AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS SHALL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE CONSTITUTES A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

MATURITY SCHEDULE
(See inside cover)

The Bonds are offered when, as and if issued by the Corporation and accepted by the initial purchaser, subject to the approval of legality by Squire Sanders (US) LLP, 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 Corporation by its counsel, Dannis Woliver Kelley, San Diego, California, and for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York, on or about May 9, 2012.

Dated: April 24, 2012

MATURITY SCHEDULE

(Base CUSIP Number: 79765X[1])

SERIES 2012A BONDS

Maturity Date	Principal Amount	Interest Rate	Yield[2]	CUSIP Suffix[1]
April 1, 2013	$1,305,000	2.00%	0.60%	RV0
October 1, 2013	1,440,000	2.00	0.68	RW8
April 1, 2014	1,450,000	2.00	0.80	RX6
October 1, 2014	1,475,000	2.00	0.93	RY4
April 1, 2015	1,485,000	3.00	1.00	RZ1
October 1, 2015	1,510,000	3.00	1.05	SA5
April 1, 2016	380,000	3.00	1.30	SB3
October 1, 2016	380,000	3.00	1.35	SC1
April 1, 2017	130,000	3.00	1.60	SD9
October 1, 2017	130,000	3.00	1.65	SE7
April 1, 2018	130,000	3.00	2.00	SF4

No dealer, broker, salesperson or other person has been authorized by the City or the Corporation 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 or the Corporation. 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 or the Corporation, 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 or the Corporation 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.

---

1 CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP numbers are provided for convenience of reference only. Neither the City, the Corporation nor the initial purchaser take any responsibility for the accuracy of such numbers.

2 Reoffering prices/yields furnished by the initial purchaser. Neither the Corporation nor the City takes any responsibility for the accuracy thereof.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

BOARD OF DIRECTORS

Pamela S. Jue, *President*

Arnold Laub, *Chief Financial Officer*

Ken Cleaveland, *Secretary*

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

Edwin M. Lee

BOARD OF SUPERVISORS

David Chiu, *Board President*, *District 3*

Eric Mar, *District 1*
Mark Farrell, *District 2*
Carmen Chu, *District 4*
Christina Olague, *District 5*
Jane Kim, *District 6*
Sean Elsbernd, *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*

PROFESSIONAL SERVICES

Co-Bond Counsel

Squire Sanders (US) LLP
San Francisco, California

Amira Jackmon, Attorney at Law
Berkeley, California

Financial Advisor
Kitahata & Company
San Francisco, California

Corporation Counsel
Dannis Woliver Kelley
San Diego, California

Disclosure Counsel
Hawkins Delafield & Wood LLP
San Francisco, California

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

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

TABLE OF CONTENTS

$9,815,000
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE BONDS, SERIES 2012A
(EQUIPMENT PROGRAM)

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the offering by the City and County of San Francisco Finance Corporation (the "Corporation") of the above-named Bonds (the "Bonds"). Any capitalized term not defined herein shall have the meaning given to such term in APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE – CERTAIN DEFINED TERMS."

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

Overview of the Transaction. The Bonds are being sold to provide funds to finance the acquisition and installation of certain equipment (as more fully described herein, the "Equipment") to be leased to the City and County of San Francisco (the "City"). The City, exercising its Charter powers to lease-purchase equipment through a nonprofit corporation, will lease the Equipment from the Corporation for the general governmental purposes of the City. The City will be obligated under the Lease (as hereinafter defined) to pay Base Rental payments and other payments to the Corporation related to the Equipment each year during the term of the Lease, subject to certain conditions under which the obligation to pay Base Rental may be abated as discussed herein. Pursuant to the Indenture (as hereinafter defined), the Corporation has assigned to U.S. Bank National Association, as trustee (the "Trustee"), for the benefit of the Owners, substantially all of its rights under the Lease (excluding certain rights as set forth herein) including its right to receive and collect Base Rental payments from the City under the Lease and its right as may be necessary to enforce payment of the Base Rental payments. The Trustee will apply Base Rental it receives to pay principal and interest on the Bonds when due according to the Indenture, which governs the security and terms of payment of the Bonds. The Corporation has entered into an agreement with the City pursuant to which the City is appointed as agent of the Corporation in connection with the acquisition and installation of the Equipment.

Guide to this Official Statement. The Project and the Equipment are described herein in the section "THE PROJECT." The application of the proceeds of sale of the Bonds is described in the section "ESTIMATED SOURCES AND USES OF FUNDS." The terms of the Bonds and repayment thereof and security for the Bonds are described in the sections "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," and other sections in the front portion of this Official Statement. Current information about the Corporation is provided in the section "THE CORPORATION." Current information about the City, its finances and governance, are provided in Appendix A. The City's most recent comprehensive annual financial report appears in Appendix B. A summary of the Indenture and the Lease is provided in Appendix D.

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

Quotations from and summaries and explanations of the Bonds, the Indenture, the Lease, the resolutions providing for the issuance of the Bonds, provisions of the constitution and statutes of the State of California (the "State"), the City's charter and ordinances, and other documents described herein, do not purport to be complete, and reference is made to said laws and documents for the complete provisions thereof. Copies of those documents and information concerning the Bonds are available from the City through the Office of Public Finance, City Hall Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4682. Reference is made herein to various other documents, reports, websites, etc., which are 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 corporate 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 most recently completed Comprehensive Annual Financial Report (the "CAFR") for fiscal year 2010-11 estimated the City's fiscal year 2010-11 population at 795,238.

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 2010, approximately 15.9 million people visited the City and spent an estimated $8.3 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 and the Eleventh District Federal Home Loan Bank, and has an area office of the Western Region of the Office of Thrift Supervision.

The City benefits from a highly skilled, educated and professional labor force. The CAFR estimates that per-capita personal income of the City for fiscal year 2010-11 was $75,372. The San Francisco Unified School District operates 71 elementary and K-8 school sites, 13 middle schools, 17 senior high schools (including two continuation schools and an independent study school), and 36 state-funded preschool sites, and sponsors 9 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 2010-11, SFO serviced approximately 39.7 million passengers and handled 398,393 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 in November 2011. The City's fiscal year 2011-12 adopted budget includes $6.83 billion of expenditures and reserves, of which $3.26 billion was allocated to the General Fund of the City and $3.57 billion was allocated to all other funds, including enterprise fund departments, such as SFO, the San Francisco Municipal Transportation Agency, and the San Francisco Public Utilities Commission. The CAFR estimates that the City employed approximately 28,000 full-time-equivalent employees at the end of fiscal year 2010-11. According to the Controller of the City (the "Controller"), fiscal year 2011-12 total net assessed valuation of taxable property in the City is approximately $158.65 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, 2011."

The Corporation

The Corporation is a nonprofit public benefit corporation duly organized and validly existing under the Nonprofit Public Benefit Corporation Law (Section 5110 et seq. of the California Corporations Code). The Corporation was formed in 1991 by the Chief Administrative Officer of the City pursuant to a resolution of the Board of Supervisors. The purpose of the Corporation is to provide a means to 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. For additional information on the Corporation, see "THE CORPORATION."

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to an Indenture, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by the Nineteenth Supplemental Indenture, dated as of May 1, 2012 (the "Nineteenth Supplemental Indenture"), by and between the Corporation and the Trustee (collectively, the "Indenture"), and in accordance with the Charter of the City and County of San Francisco (the "Charter"). Principal of and interest on the Bonds are payable from, and are secured by a charge and lien on, the Base Rental payments payable by the City relating to the Equipment pursuant to an Equipment Lease, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by Equipment Lease Supplement No. 18, dated as of May 1, 2012 (the "Equipment Lease Supplement"), by and between the Corporation, as lessor, and the City, as lessee (collectively, the "Lease"), and amounts held in certain funds and accounts established pursuant to the Indenture (except the Rebate Fund). The City is obligated under the Lease to pay Base Rental in consideration for its use and right of possession of the Equipment (as hereinafter defined).

The Corporation has entered into an Agency Agreement, dated as of January 1, 1991 (the "Agency Agreement"), with the City pursuant to which the City is appointed as agent of the Corporation in connection with the acquisition and installation of the Equipment.

The Nineteenth Supplemental Indenture and the Equipment Lease Supplement were approved by the Board of Supervisors of the City by its Resolution No. 113-12, adopted on April 3, 2012, and signed by the Mayor on April 10, 2012 (the "Resolution"). The Resolution authorized the issuance of up to $10,500,000 aggregate principal amount of the Bonds under the Nineteenth Supplemental Indenture.

Prior to June 1990, the City Charter prohibited the City from engaging in the lease-purchase of equipment or real property through public entities or nonprofit corporations using tax-exempt obligations without a vote of the electorate. On June 5, 1990, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to $20 million of equipment through a nonprofit corporation using tax-exempt obligations without an additional vote of the electorate. The principal amount of the obligations with respect to lease financings under Proposition C may not exceed in the aggregate at any time the principal amount of $20 million, such amount to be increased by five percent each fiscal year, commencing with fiscal year 1990-1991. As of April 2, 2012, the maximum amount of obligations permitted under Proposition C and the Indenture was $55,719,252, and $23,655,000 principal amount of lease revenue bonds were outstanding under Proposition C and the Indenture.

Purpose

The proceeds of the Bonds will be used to: (i) finance the acquisition and installation of certain equipment (the "Equipment" or the "Project"); (ii) pay costs associated with the issuance of the Bonds; (iii) fund the Series 2012A Reserve Account established under the Indenture for the Bonds; (iv) fund the Working Capital Fund established under the Indenture; and (v) fund capitalized interest payable with respect to a portion of the Bonds through July 1, 2013. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein for a further description of the expected application of proceeds of sale of the Bonds.

Form and Registration

The Bonds are being issued in the aggregate principal amount shown on the cover hereof, in the denomination of $5,000 each or any integral multiple thereof, and will be dated their date of delivery. The Bonds are 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"), New York, New York, 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 F: "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The principal of the Bonds shall be payable on April 1 and October 1 of each year shown on the inside cover hereof, or upon redemption prior thereto, and shall evidence and represent the sum of the principal components of the Base Rental payments. Payment of the principal and premium, if any, of the Bonds upon their respective payment dates or redemption prior thereto, will be made upon presentation and surrender of such Bonds at the principal corporate trust office of the Trustee in San Francisco, California. Principal and premium shall be payable in lawful money of the United States of America.

Interest on the Bonds, until the maturity or earlier redemption thereof, is payable on April 1 and October 1 of each year (each an "Interest Payment Date"), beginning on October 1, 2012, and continuing to and including their payment dates or until redemption prior thereto, and shall evidence and represent the sum of the interest components of the Base Rental payments. Interest with respect to the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. Bonds authenticated and registered on any date prior to the close of business on the first Record Date (as defined below) shall bear interest from the date of the Bonds. Bonds authenticated during the period between any Record Date and the close of business on its corresponding Interest Payment Date shall bear interest from such Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication; provided, however, that if, at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The interest represented by the Bonds is payable by check mailed to the Owners at the addresses appearing on the Bond registration books as of the close of business on the fifteenth day of the calendar month immediately preceding such Interest Payment Date (the "Record Date"); provided that upon the written request of at least $1,000,000 in aggregate principal amount of Bonds on or prior to the applicable Record Date, such payment shall be made by wire transfer in immediately available funds to an account with a financial institution within the United States of America designated by such owner.

Redemption Provisions

No Optional Redemption

The Bonds are not subject to optional redemption.

Special Redemption

The Bonds are subject to special redemption on any date prior to their maturity, as a whole, or in part, from prepaid Base Rental payments made by the City from the net proceeds of any commercial insurance, self-insurance or condemnation award with respect to the Equipment (the "Net Proceeds"), if such Net Proceeds are not used to repair, replace or restore the Equipment in accordance with the provisions of the Lease, at a redemption price equal to the sum of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

The Bonds are also subject to redemption on the first practicable date for which notice of redemption can be given following receipt by the Trustee of a Certificate of Completion, in part, from moneys remaining in the Series 2012A Project Account within the Acquisition Fund and transferred to the Redemption Fund, if any, and from certain additional amounts transferred to the Trustee by the City pursuant to the Lease, at a redemption price equal to the sum of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

Selection of Bonds for Redemption

Whenever Bonds are redeemed in part, the Trustee shall select, at the written direction of the Corporation, the Bonds of each maturity to be redeemed so that the aggregate amounts of the Bonds which shall remain outstanding after such redemption date shall be as nearly proportional as practicable to the aggregate annual amounts of Base Rental payments designated as the principal component to be thereafter payable pursuant to the Lease. Whenever less than all the outstanding Bonds of any maturity are to be redeemed on any one date, the Trustee shall select the Bonds of such maturity to be redeemed by lot in any manner that the Trustee deems fair, and the Trustee shall promptly notify the Corporation and the City in writing of the numbers of the Bonds so selected for redemption.

Notice of Redemption

The Trustee is required to mail notice of redemption by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the redemption date, to the Owners of the Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee as of the close of business on the day before such notice of redemption is given. Notice will also be given as required by the Continuing Disclosure Certificate. See "CONTINUING DISCLOSURE" herein and APPENDIX E: "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

So long as the Bonds are in book-entry only form through the facilities of DTC, notice of redemption will be provided to Cede & Co., as the registered owner of the Bonds, and not directly to the Beneficial Owners.

Each such notice of redemption shall specify: (a) the Bonds or designated portions thereof which are to be redeemed, including the series designations of such Bonds, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of any paying agent, (d) the redemption price, (e) the CUSIP numbers assigned to the Bonds to be redeemed, (f) the numbers of the Bonds to be redeemed, and (g) the interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Each such notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, and that from and after such date interest represented thereby shall cease to accrue and be payable. Neither the failure to receive such notice nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Bonds, nor prevent the interest on such Bonds from ceasing to accrue upon the stated redemption date.

Effect of Redemption

When notice of redemption has been duly given as provided in the Indenture and moneys for the payment of the redemption price of the Bonds to be redeemed are held by the Trustee, then, from and after such redemption date, interest on such Bonds will cease to accrue and such Bonds will cease to be entitled to any benefit or security under the Indenture except for the right of the Owners to receive payment of the redemption price thereof.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Par Amount	$9,815,000
Original Issue Premium	370,787
Less Purchaser's Discount	(35,991)
Total Sources	$10,149,796
Uses of Funds:	
Series 2012A Project Account	$8,780,730
Series 2012A Interest Account(1)	97,560
Series 2012A Costs of Issuance Account(2)	285,006
Series 2012A Reserve Account	981,500
Working Capital Fund	5,000
Total Uses	$10,149,796

(1) Represents capitalized interest on a portion of the Bonds through July 1, 2013.

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

DEBT SERVICE SCHEDULE

The Lease requires the City to make Base Rental payments on each March 15 and September 15, commencing September 15, 2012, in payment for the use and possession of the Equipment during the term of the Lease.

The Indenture requires that Base Rental payments be deposited in the Series 2012A Account in the Base Rental Payment Fund maintained by the Trustee. Pursuant to the Indenture, on April 1 and October 1 of each year, commencing on October 1, 2012, the Trustee will apply amounts on deposit in such Series 2012A Account as necessary to make principal and interest payments with respect to the Bonds as the same shall become due and payable, as shown in the following table. Capitalized interest payable from a portion of the proceeds of the Bonds deposited in such Series 2012A Account concurrently with the issuance of the Bonds will be applied to pay interest on a portion of the Bonds through July 1, 2013.

[Remainder of Page Intentionally Left Blank]

City and County of San Francisco Finance Corporation
Lease Revenue Bonds, Series 2012A (Equipment Program)
Debt Service Schedule

Payment Date	Principal	Interest	Total Principal and Interest	Fiscal Year Total
October 1, 2012	–	$93,779.17	$93,779.17	–
April 1, 2013	$1,305,000	118,875.00	1,423,875.00	$1,517,654.17
October 1, 2013	1,440,000	105,825.00	1,545,825.00	–
April 1, 2014	1,450,000	91,425.00	1,541,425.00	3,087,250.00
October 1, 2014	1,475,000	76,925.00	1,551,925.00	–
April 1, 2015	1,485,000	62,175.00	1,547,175.00	3,099,100.00
October 1, 2015	1,510,000	39,900.00	1,549,900.00	–
April 1, 2016	380,000	17,250.00	397,250.00	1,947,150.00
October 1, 2016	380,000	11,550.00	391,550.00	–
April 1, 2017	130,000	5,850.00	135,850.00	527,400.00
October 1, 2017	130,000	3,900.00	133,900.00	–
April 1, 2018	130,000	1,950.00	131,950.00	265,850.00
Total	$9,815,000	$629,404.17	$10,444,404.17	$10,444,404.17

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Source of Payment

Pursuant to the Indenture, the Corporation has granted to the Trustee, for the benefit of the Bondholders, a security interest in all amounts on hand from time to time in certain funds and accounts established under the Indenture (excluding the Rebate Fund) as security for the Bonds, including (i) all Base Rental payments received by the Trustee related to the Equipment; (ii) all of the proceeds of the Bonds and any other amounts held in any fund or account established pursuant to the Indenture (except the Rebate Fund) as security for the Bonds; and (iii) all of the right, title and interest of the Corporation in the Lease and the Equipment. The City will pay to the Corporation the Base Rental payments to the extent required under the Lease, which Base Rental payments are designed to be sufficient, in both time and amount, to pay, when due, the principal of and interest on the Bonds. The City is required to make Base Rental payments from the City's General Fund and any other funds legally available for such payments.

Covenant to Budget

The City has covenanted in the Lease to take such action as may be necessary to include all Base Rental and Additional Rental (collectively, the "Rental Payments") in its annual budget and to make the necessary annual appropriations for such Rental Payments. The Lease provides that such covenants on the part of the City are deemed and construed to be ministerial duties imposed by law, and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease.

If the City defaults on its covenant in the Lease to include all Rental Payments in the applicable annual budget and such default shall have continued for 30 days or more, the Trustee may either terminate the Lease and relet or sell the Equipment or any component thereof or may retain the Lease and hold the City liable for all Rental Payments on an annual basis.

For a discussion of the budget and finances of the City, see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET" and APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2011." For a discussion of the City's investment policy regarding pooled cash, see

APPENDIX C: "CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY."

Base Rental Payments; Additional Rental; Capitalized Interest

Base Rental Payments. The City has agreed under the Lease that so long as the City has the right to use and possess the Equipment, it will make Base Rental payments, which are calculated to be at least sufficient, in both time and amount, to equal debt service requirements on the Bonds, from any legally available funds of the City. The Trustee shall collect and receive all of the Base Rental payments, and any Base Rental payments collected or received by the Corporation must immediately be paid by the Corporation to the Trustee.

The Base Rental payable by the City shall be paid in arrears and shall be due on March 15 and September 15 in each year commencing September 15, 2012; provided, that any such payment shall be for that portion of the applicable period that the City has use and possession of all or a portion of the Equipment. In the event that during any such period the City does not have use and possession of all or a portion of the Equipment due to material damage to, destruction of or theft of the Equipment, the obligation of the City to make Base Rental payments is subject to abatement as described under "– Abatement of Base Rental Payments," below. See also, "CERTAIN RISK FACTORS – Abatement."

All Base Rental payments shall be held in trust by the Trustee in the Series 2012A Account of the Base Rental Payment Fund to be used: first, for payment of interest on the Bonds; second, for payment of the principal of the Bonds as it becomes payable; and third, for replenishment of the Series 2012A Reserve Account. After making any deposits necessary for the foregoing purposes, the Trustee will transfer any amounts remaining in the Series 2012A Account to the Surplus Fund. Any amounts in the Surplus Fund not required for payment of principal of and interest on the Bonds, upon request by the Corporation, may be used for redemption or purchase of Bonds or transferred to the Working Capital Fund or to the City.

Additional Rental. Additional Rental payments due from the City to the Corporation include, among other things, amounts sufficient to pay any taxes and insurance premiums, and to pay all fees, costs and expenses of the Corporation in connection with the Indenture, deposits required to be made to the Rebate Fund, if any, and all other necessary and reasonable administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Indenture. The City is also responsible for repair and maintenance of the Equipment during the term of the Lease.

Capitalized Interest. Within the Series 2012A Account of the Base Rental Payment Fund there is established an account designated as the "Series 2012A Interest Account." Upon delivery of the Bonds, a portion of the proceeds of the sale of the Bonds in the amount of $97,560.02 will be deposited into the Series 2012A Interest Account and credited as Base Rental paid by the City on each Interest Payment Date with respect to a portion of the Bonds through July 1, 2013.

Limited Obligation

THE BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS MADE BY THE CITY TO THE CORPORATION PURSUANT TO THE LEASE RELATED TO THE EQUIPMENT AND ANY OTHER AMOUNTS (INCLUDING THE PROCEEDS OF THE SALE OF THE BONDS) HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE INDENTURE, OTHER THAN THE REBATE FUND. USE OF AMOUNTS HELD IN SUCH FUNDS AND ACCOUNTS IS SUBJECT TO THE PROVISIONS OF THE INDENTURE PERMITTING THE APPLICATION OF SUCH AMOUNTS FOR THE PURPOSES AND ON THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE. THE CORPORATION SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, AND INTEREST ON, THE BONDS ONLY FROM THE FUNDS DESCRIBED IN THE INDENTURE AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS SHALL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION IN RESPECT OF THE ISSUANCE OF THE BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY TO LEVY OR PLEDGE ANY FORM OF TAXATION

OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE CONSTITUTES A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

Abatement of Base Rental Payments

After the Scheduled Completion Date (as defined herein), the City's obligation under the Lease to make Rental Payments shall be abated during any period in which, by reason of any damage, theft, or destruction (other than by condemnation as provided in the Lease), there is substantial interference with the use and possession of the Equipment, or any portion thereof, by the City, except to the extent of (i) available amounts held by the Trustee in the Series 2012A Account of the Base Rental Payment Fund or in the Series 2012A Reserve Account, (ii) amounts, if any, received in respect of rental interruption insurance or liquidated damages with respect to the Equipment, and (iii) amounts otherwise available to the Trustee for payments in respect of the Bonds. The amount of abatement shall be such that the resulting Rental Payments with respect to the Equipment represent fair consideration for the use and possession of the portion of the Equipment as to which such damage, theft or destruction did not cause such substantial interference with the City's use and possession. Abatement of Base Rental payments shall commence on the date of such damage, theft or destruction and end on the date of completion by the Corporation of the work of repair or replacement of the damaged, stolen or destroyed portion of the Equipment. In the event of such an abatement, the term of the Lease with respect to any piece of Equipment may be extended until all amounts due under the Lease and the Indenture are fully paid, but in no event later than the September 30 following the end of the original useful life of such piece of Equipment.

In order to mitigate the risk that an abatement event will cause a disruption in payment of Base Rental, the Lease requires the City to maintain rental interruption insurance for any piece of Equipment commencing as of the date of procurement of such Equipment in an amount not less than the total Rental Payments payable by the City with respect to such Equipment for a period of at least 12 months. See "– Insurance" below. During any period of abatement with respect to all or any part of the Equipment, the Trustee is required to use the proceeds of such rental interruption insurance to make payments of principal and interest on the Bonds. In addition, the Indenture establishes the Series 2012A Reserve Account and requires the Trustee to use any moneys on deposit in the Series 2012A Reserve Account to make payments of principal of and interest on the Bonds in the event amounts on deposit in the Series 2012A Account of the Base Rental Payment Fund are insufficient therefor. See "– Series 2012A Reserve Account," below.

Series 2012A Reserve Account

The Indenture establishes the Series 2012A Reserve Account to be held by the Trustee, which will be initially funded from proceeds of the Bonds in an amount equal to the Series 2012A Reserve Requirement, initially $981,500 (representing ten percent (10%) of the outstanding principal amount of the Bonds). Such moneys will be held in trust as a reserve for the payment when due of all debt service payments on the Bonds. To reflect the declining debt service structure of the Bonds, the Series 2012A Reserve Requirement will be reduced to the following amounts on the following dates (and such reductions will be used to pay portions of the principal and interest on the Bonds due on such dates) unless the Trustee determines, as of the date of any such reduction, that insufficient funds will be on deposit in the Series 2012A Account to pay any interest or principal due (or past due) on the Bonds on such dates:

Date	Amount
October 1, 2013	$707,000
October 1, 2014	414,500
October 1, 2015	115,000
October 1, 2016	39,000
October 1, 2017	13,000

Any amounts on deposit in the Series 2012A Reserve Account in excess of the Series 2012A Reserve Requirement will be transferred to the Series 2012A Account of the Base Rental Payment Fund.

Maintenance and Repairs

The Lease requires the City, at its own expense, to maintain the Equipment in good repair, working order and condition and to make or cause to be made all necessary and proper repairs and replacements of the Equipment. In addition, the City is required to purchase and maintain rental interruption insurance as well as fire, theft, vandalism, flood and extended coverage insurance on the Equipment. The City has also agreed to insure or self-insure against claims based on comprehensive general liability, automobile liability and physical property damage which result from its operations, including but not limited to its use of the Equipment. See "– Insurance" below.

Insurance

The Lease requires the City to maintain or cause to be maintained throughout the terms of the Lease: (i) insurance against rental interruption or loss of use and possession of the Equipment in an amount not less than the total Rental Payments payable by the City with respect to the Equipment for a period of at least twelve months; (ii) insurance against fire, lightning and extended coverage, theft, vandalism and malicious mischief and flood on the Equipment in an amount equal to the lesser of 100% of the full replacement value of the Equipment or the aggregate principal amount of the outstanding Bonds (subject to certain deductibles); (iii) workers' compensation insurance covering all of the City's employees working on, in, near or about the Equipment, in the same amount and type as other workers' compensation maintained by the City for similar employees doing similar work; (iv) standard comprehensive general liability insurance or the equivalent covering direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the possession, operation or use of the Equipment, with minimum liability limits of $1,000,000 for personal injury or death of each person and $2,000,000 for personal injury or death of two or more persons in each accident or event, and in a minimum amount of $200,000 (subject to a deductible not to exceed $5,000) for property damage; and (v) standard automobile liability insurance covering direct or contingent loss or liability for damages for injury, death or property damage occasioned by reason of the possession, operation or use of the Equipment, with minimum liability limits and maximum deductibles as described in clause (iv).

The City is not required to obtain the insurance coverage described in clauses (i), (ii) or (v) above for any item of equipment until the date the Equipment is acquired under the Lease. The insurance coverage described in clauses (iv) and (v) above may each be in the form of a $2,000,000 single limit policy covering all such risks and may be maintained as part of or in conjunction with any other liability insurance carried by the City. The Lease permits the City to provide a self-insurance method or plan of protection in lieu of any of the insurance described in clauses (iii) through (v) above, but only if the City obtains and provides the Trustee and the Corporation with a certificate of the Risk Manager of the City to the effect that such method or plan (and the amount contained in the related self-insurance fund) is reasonably sufficient to provide coverage in the same scope and amount. The City must obtain a new certificate of the Risk Manager for each twelve-month period. Amounts paid from any self-insurance method or plan are deemed insurance proceeds for purposes of the Lease and the Indenture. The City expects to self-insure in lieu of the insurance described in clauses (iii) through (v) above. Net Proceeds of the insurance described in clause (i) above are required to be applied to the payment of Rental Payments and Net Proceeds of insurance described in clause (ii) above are required to be applied as described in APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE – The Lease – Damage, Destruction and Condemnation."

Investment of Funds Under Indenture

Money held by the Trustee in any fund or account held under the Indenture will be invested by the Trustee at the Written Request of the Corporation only in Permitted Investments, which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement under the Indenture. All investment earnings on amounts on deposit in the Series 2012A Accounts in the Acquisition Fund, the Base Rental Payment Fund and the Costs of Issuance Fund held by the Trustee shall be retained in the account of origin. Notwithstanding the foregoing, if the Corporation elects to postpone the acquisition of any item or items of Equipment pursuant to the Lease and delivers to the Trustee a Certificate of the Corporation that the Corporation has elected to postpone the acquisition of any item or items of Equipment, and upon the receipt by the Trustee of a Written Request of the Corporation, investment earnings on moneys in the Series 2012A Account in the Acquisition Fund in the amount specified by the Corporation shall be transferred to the Series 2012A Interest Account.

THE PROJECT

Description of the Equipment Acquisition Program

Under the Lease, the City will lease various pieces of equipment from the Corporation (each piece individually a "Component", and collectively the "Equipment") for the general governmental purposes of the City. Under the Agency Agreement, the City will act as the agent of the Corporation in acquiring the Equipment. At the expiration of the Lease Term relating to a specific Component, title to such Component will vest in the City. The estimated cost of the various Components the City expects to acquire is as follows:

EQUIPMENT LIST

Equipment	# of Units	Estimated Total Cost	Lease Term (Years)
Mini Van	1	$28,470.00	3
Sedan Midsize-Hybrid Toyota Camry	2	65,700.00	3
Toyota Prius hybrid sedan	1	23,470.00	3
Ford Crown Victoria	4	91,239.80	3
Fire Engine	2	1,097,507.56	5
Large-capacity van	1	38,325.00	3
Mid-size hybrid	1	23,467.00	3
Cage vehicle, enforcement	1	22,810.00	3
Marked police vehicles	7	369,600.00	3
Marked police motorcycles (street)	4	110,000.00	3
Light Source-Olympus Endoscopes CV180	1	42,670.00	4
T-Probe	1	27,101.00	4
Portable DR Unit-Shimadzu Mobile	1	252,704.00	4
Vivid Echocardiography console	1	65,591.00	4
Ultrasound Machine in ED S ICU	1	42,765.00	4
Patient Monitors ED MP70	15	591,300.00	4
M50s Mobile Transport Monitors	1	26,259.00	4
Portable Unit-Shimadzu Mobile (x2)	2	103,138.00	4
MP70 Bedside Patient Vital Signs Monitors	12	461,690.28	4
Anesthesia Machine Aestiva/5 7900	1	103,858.00	4
Ford Fleet Minivan	1	26,280.00	4
2011 Ford E-250 Cargo 3-door Van	1	32,392.00	4
Sweepers Air CNG	3	966,184.20	3
Pickups Mini	2	62,303.32	3
1 Axel Dump	2	237,520.00	3
Back hoe	1	100,740.00	3
Pickup 3/4 ton w/lumber racks	2	87,446.70	3
3/4 ton pickup trick	1	43,723.00	3
Spray truck	1	98,550.00	3
Stake Bed	1	71,608.00	3
Ford Ranger	1	24,090.00	3
Nissan Leaf Electric Vehicle & Chargers	4	157,680.00	3
Toro 5910 Rotary Mower	1	104,025.00	3
Peterbilt 348 3-axle 26-ton crane 92' & jib	1	312,075.00	3
Toro Workman	1	30,660.00	3
Zieman Trailer 2324	1	22,995.00	3
John Deere 5105M	1	164,250.00	3
Toro 648 Aerator	1	29,565.00	3
Toro 648 Aerator	1	29,565.00	3
Toro Workman, 4WD	1	26,280.00	3

Equipment	# of Units	Estimated Total Cost	Lease Term (Years)
John Deere 5065M	1	58,035.00	3
Ford E350, 8 passenger van	1	30,660.00	3
Ford F450	1	45,990.00	3
Skyjack 3369LE Scissor Lift	1	37,071.00	3
65' Aerial Lift	1	290,175.00	3
Ford Transit Connect	1	52,560.00	3
Toro Workman, 4WD	1	26,280.00	3
Van Ford Transit Connect	1	52,560.00	3
Ford F250	1	35,040.00	3
Aerator Ryan Greenaire Type	1	26,280.00	3
Ford F250	1	52,560.00	3
Ford F150	1	30,660.00	3
Van Ford Transit Connect	1	35,040.00	3
Infield Rake-Diamond Pro	1	24,090.00	3
Ford F250	1	52,560.00	3
Ford F150XL	1	30,660.00	3
Ford F250	1	35,040.00	3
Ford Ranger	1	27,375.00	3
Agilis Ballot Sorting Machine	1	180,000.00	3
ADA compliant van-marked	1	82,125.00	3
Inmate transport bus-marked	1	328,500.00	3
Unmarked car-Fusion	1	35,040.00	3
Unmarked car-Crown Vic	1	31,021.00	3
Emergency generator	1	76,650.00	3
Mobile booking/IT vehicle	1	44,348.00	3
Mid-size sedan, Toyota Prius	36	844,812.00	3
Totals	149	$8,780,729.86	

To the extent items of Equipment are acquired for amounts less than the estimated cost shown, the City will either purchase additional items of Equipment that will be subject to and automatically be incorporated within the Lease or will redeem Bonds at par. See "THE BONDS – Redemption Provisions – Special Redemption" herein. To the extent that the items of Equipment cost more than estimated, the City may elect to purchase fewer items of Equipment than shown above. The City may, at any time during the Lease term, substitute items of Equipment if such substituted equipment has, in the aggregate, the same or longer useful life and the same or greater value than the original Equipment for which it is substituted. All substituted Equipment are subject to the Lease.

CERTAIN RISK FACTORS

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

General

The finances of the City are subject to a number of risks and challenges. These risks and challenges include recessions and declines in the local, national and global economies, budget cuts affecting the City at the State and federal level, budget challenges at the City level, rising pension and healthcare costs, labor relations, litigation, changes in law and voter initiatives, natural and man-made disasters and other factors.

In recent years, the United States and California economies have been in a deep recession. The City's finances have faced challenges arising from the economic recession and other factors. The City continues to experience high unemployment rates and hotel revenues, industry employment, retail sales, housing prices and residential and commercial rent remain significantly below their pre-recession peaks. The credit crisis related to the recession has resulted in reduced income from the City's investments, and the State's budget crisis has resulted in reduced funding to local governments, including the City.

The City expects to continue to face economic challenges over the next few years. Additional economic factors that could impact the City's finances include fluctuations in tax revenues, property tax appeals, and other State budget decisions. See "State of California Financial Condition" below, and APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" for additional information on the City's finances and APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

Rental Payments Not a Debt of the City

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

The Bonds are payable solely from Base Rental payments made by the City relating to the Equipment pursuant to the Lease and amounts held in the Series 2012A Reserve Account and the Series 2012A Account in the Base Rental Payment Fund established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. The City shall be obligated to make such Rental Payments subject to the terms of the Lease, and neither the City nor any of its officers shall incur any liability or any other obligation with respect to the delivery of the Bonds.

Additional Obligations

Subject to certain City Charter restrictions, the City may incur other obligations, which may constitute additional charges against its revenues, without the consent of the Owners of the Bonds. To the extent that the City incurs additional obligations, the funds available to make payments of Base Rental may be decreased. The City is currently liable on other obligations payable from its general revenues. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – General Obligation Bonds Authorized but Unissued," "– Overlapping Debt," and "– Lease Payments and Other Long-Term Obligations." See also APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2011."

Abatement

The obligation of the City under the Lease to make Base Rental payments is in consideration for the use and right of possession of the Equipment. The obligation of the City to make Base Rental payments may be abated in whole or in part if the City does not have full use and right of possession of any portion of the Equipment, and if the portion of the Equipment then available for beneficial use and possession by the City has an aggregate fair rental value below the amount of the applicable Base Rental payments. If all of the Equipment is not acquired, delivered, installed and accepted, the City may not be obligated to make any, or all, of the applicable Base Rental payments. However, the City has covenanted under the Lease and the Agency Agreement to acquire, deliver, and install the Equipment, and to cause such acquisition, delivery and installation to be completed, on or prior to May 1, 2013 (the "Scheduled Completion Date").

In the event Base Rental payments are abated, no assurances can be given that moneys on deposit in the Series 2012A Account of the Base Rental Payment Fund and the Series 2012A Reserve Account or proceeds of rental interruption insurance related to the Equipment will be sufficient to pay the debt service on the Bonds. In addition, even if such amounts are sufficient to make such payments, moneys remaining in the Series 2012A Reserve Account after such payments may be less than the Series 2012A Reserve Requirement. The City is not required by the Lease or the Indenture, and cannot be compelled, to replenish the Series 2012A Reserve Account to the Series 2012A Reserve Requirement.

The amount of Base Rental payments due under the Lease will be abated during any period in which by reason of damage, theft, destruction, condemnation or title defect there is substantial interference with the use and right of possession of the Equipment by the City. Such abatement shall continue for the period commencing with the date of such damage, theft, destruction, condemnation or title defect and shall end with the restoration of the Equipment or any portion thereof to useable condition or correction of the title defect. Series 2012A Reserve Account moneys and the proceeds of such rental interruption insurance may be used by the Trustee to make payments with respect to the Bonds in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest on the Bonds as such amounts become due.

If damage, destruction, condemnation or title defect with respect to the Equipment or any portion thereof results in abatement of Base Rental payments and moneys, if any, in the Series 2012A Reserve Account and any proceeds of such rental interruption insurance, are insufficient to make all payments with respect to the Bonds during the period that the Equipment, or portion thereof, is not available for use by the City, the City is not obligated to make such payments and Owners of the Bonds should not expect the City to make such payments, and no remedy will be available to the Trustee or the Owners and Beneficial Owners under the Lease or Indenture for nonpayment under such circumstances.

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

Reserve Fund

At the time of delivery of the Bonds, proceeds of the Bonds in the amount of $981,500 will be deposited in the Series 2012A Reserve Account. In the event of abatement or default, the amounts on deposit in the Series 2012A Reserve Account may be significantly less than the amount of Base Rental due at the time of abatement or default. The City is not required by the Lease or the Indenture, and cannot be compelled, to replenish the Series 2012A Reserve Account to the Series 2012A Reserve Requirement.

Limited Recourse on Default; Re-letting of Equipment

The Lease and Indenture provide that, if there is a default by the City, the Trustee may take possession of and relet the Equipment. The amounts received from such reletting may be insufficient to pay the scheduled principal and interest on the Bonds when due. Due to the essential nature of the governmental function of some of the Equipment, it is not certain whether a court would permit the exercise of the remedies of repossession, reletting, or sale with respect thereto. Furthermore, the enforcement of any remedies provided in the Lease and in the Indenture could prove to be both expensive and time-consuming. The City is not required by the Lease or the Indenture, and cannot be compelled, to replenish the Series 2012A Reserve Account to the Series 2012A Reserve Requirement. In addition, the Indenture provides that no remedies such as re-letting may be exercised so as to cause the interest with respect to the Bonds to be includable in gross income for federal income tax purposes or to subject interest on the Bonds to State personal income taxes.

The Lease provides that any remedies on default shall be exercised by the Trustee, as assignee of the Corporation. Upon the occurrence and continuance of the City's failure to deposit with the Trustee any Base Rental and/or Additional Rental when due, or in the event that the City fails to perform any other terms, covenants, conditions or agreements contained in the Lease and such failure shall have continued for 30 days or more, the Trustee or the Owners of not less than a majority in aggregate principal amount of Bonds then outstanding, shall be entitled, upon notice in writing to the City and the Corporation, (i) to terminate the Lease and to retake possession of the Equipment, (ii) without terminating the Lease, (A) to collect each installment of Rental Payments as it becomes due and enforce any other term or provision of the Lease to be kept or performed by the City and/or (B) to exercise any and all rights to retake possession of the Equipment, and (iii) to exercise any other right or remedy which may be available to it under applicable law or proceed by appropriate court action to enforce the terms of the Lease or to recover damages for the breach thereof. Additionally, unless and until the Lease has been terminated pursuant to the terms thereof, the City is liable for all unpaid Base Rental and Additional Rental and any other governmental charges, costs or fees, or expenses incurred by reason of the occurrence of any event of default or the exercise of the remedies. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE – The Lease – Defaults and Remedies."

In addition to the limitations on remedies contained in the Lease and the Indenture, the rights and remedies provided in those documents may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. See "– Bankruptcy" herein.

Enforcement of Remedies

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

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

No Acceleration on Default

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

Risk Management and Insurance

The Lease obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the Equipment for repair or replacement in the event of damage or destruction to the Equipment. The City is also required to maintain rental interruption insurance in an amount equal to but not less than 12 months of Rental Payments. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Lease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Bonds when due.

The Lease allows the City to self-insure against any or all risks, except rental interruption and insurance against fire, lightning and extended coverage, theft, vandalism and malicious mischief and flood insurance on the Equipment, through an alternative risk management program such as its risk management retention program. The City expects to self insure for all hazards for which the Lease permits self-insurance. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – LITIGATION AND RISK MANAGEMENT – Risk Retention Program."

State Law Limitations on Appropriations

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

Changes in Law

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

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

No Liability of Corporation to the Owners

Except as expressly provided in the Indenture, the Corporation will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the Rental Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Bankruptcy

In addition to the limitations on remedies contained in the Lease and the Indenture, the rights and remedies provided therein may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for local public agencies, there are no involuntary petitions in bankruptcy. It is not clear that the Corporation would be protected by Chapter 9 in an involuntary bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Corporation could be prohibited or severely restricted from taking any steps to enforce their rights under the Lease, and from taking any steps to collect amounts due from the City under the Lease.

Although the Corporation's activities are limited and it generally does not have any assets or engage in activities that could give rise to debts and obligations, the City would not be able to prevent the Corporation from filing a petition for bankruptcy. The Corporation has entered into financing leases with the City and has issued bonds, which as of April 1, 2012, amount in the aggregate to $23.6 million in outstanding principal (not including any Bonds authorized by the Indenture). See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Lease Payments and Other Long-Term Obligations" and APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2011 – Note 8." In the event the Corporation declared bankruptcy or were declared a bankrupt, the bankruptcy court would have the power to review and abrogate lease arrangements entered into by the Corporation involving the assignment of revenues to other parties, including the Lease and the Indenture. The court could order, at least for some period of time, that the Corporation not allow any of its revenues received from the City under the Lease to be paid over to the Trustee.

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 3 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 recent 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 environs. 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.

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more quakes of about magnitude 6.7 or larger will occur in the Bay Area before the year 2038. Such earthquakes may be very destructive. For example, the U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault would likely cause hundreds of deaths and almost $100 billion of damage. In addition to the potential damage to City-owned buildings, facilities and the Equipment, 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 longer-term harm to the City's economy, tax receipts, and residential and business real property values.

State of California Financial Condition

The State has for a number of years experienced, and continues to experience, significant financial and budgetary stress. The City receives a significant portion of its funding from the State. The City's fiscal year 2011-12 Original Budget projects that approximately 14.0% of the City's General Fund revenues will come from State sources.

On January 5, 2012, the Governor submitted his proposed budget for fiscal year 2012-13 (the "Governor's Budget") to the State Legislature. The Governor's Budget projects that the State will end fiscal year 2011-12 with a deficit of $4.1 billion. Absent corrective actions, it is projected that the State would spend $5.1 billion in excess of its revenues during fiscal year 2012-13. Combined, the Governor's Budget projects that the State faces a $9.2 billion budget deficit.

The Governor's Budget proposes a total of $10.3 billion in cuts and revenues to balance and to rebuild a $1.1 billion reserve. Certain proposals that could affect the City include the following:

- The Governor's Budget seeks to save $1.4 billion by refocusing CalWORKs and subsidized child care by increasing income support to working families and reducing assistance to families who are not meeting work requirements;

- The Governor's Budget seeks to save $842 million by merging service delivery for persons eligible for both Medi-Cal and Medicare;

- The Governor's Budget seeks to save $164 million by eliminating domestic and related In-Home Supportive Services for recipients in shared living arrangements;

- The Governor's Budget seeks to save $544 million by eliminating supplemental funding for schools associated with the elimination of the sales tax on gasoline and making other Proposition 98 adjustments; and

- The Governor's Budget seeks to save $828 million by repealing, making permissive, or suspending many State mandates on local governments that the State deems unnecessary and burdensome.

The Governor also proposes a ballot measure in the November 2012 election, which seeks to temporarily increase the personal income tax on the State's wealthiest taxpayers and temporarily increase the sales tax by one-half percent. The measure guarantees these new revenues to schools and constitutionally protects the realignment funds for local public safety, and is expected to generate approximately $6.9 billion through fiscal year 2012-13. After accounting for the increased Proposition 98 minimum guarantee, the measure is expected to provide $4.4 billion in net benefit to the State general fund budget. If the measure is not approved by voters in the November 2012 election, the Governor proposes a back-up plan which identifies $5.4 billion in cuts affecting education and public safety to take effect on January 1, 2013.

On March 14, 2012, the Governor announced the merger of his tax increase proposal with a proposed initiative of the California Federation of Teachers. If approved, the merged initiative, known as the California Sales and Income Tax Increase Initiative, is expected to raise the State's sales tax to 7.5 percent from 7.25 percent, and increase the State income tax on those whose annual income exceeds $250,000. Further, those whose annual income is $1 million or more, who are currently taxed at a marginal rate of 10.3 percent, would pay 13.3 percent under the proposal. The increases would expire in seven years instead of five under the Governor's original proposal. Sales taxes would rise by a quarter of a percent instead of a half percent under the Governor's original measure, and would expire in four years.

As part of the State Budget Act for Fiscal Year 2011-12 and pursuant to a recent California Supreme Court decision, all redevelopment agencies in the State, including the San Francisco Redevelopment Agency ("SFRA"), were dissolved on February 1, 2012. The City became the successor agency to the SFRA on February 1, 2012. In *California Redevelopment Association et al. v. Matosantos et al.,* the California Supreme Court upheld Assembly Bill 26 of the 2010-11 First Extraordinary Session, which led to the dissolution of all redevelopment agencies within the State on February 1, 2012. The Governor's Budget projects that the elimination of redevelopment agencies will provide additional property tax revenue in the amount of $1.05 billion for K-14 public schools, which will offset the State's Proposition 98 funding obligation. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – San Francisco Redevelopment Agency Dissolution" regarding the dissolution of SFRA.

The City cannot predict the extent of the budgetary problems the State will encounter in this or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. Accordingly, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the City has no control. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Adopted Fiscal Year 2011-12 Budget" and "– Impact of State Budget on City Budget."

U.S. Government Finances

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City's assets are also invested in securities of the United States government. On August 5, 2011, Standard & Poor's Ratings Service downgraded the long-term sovereign credit rating on the United States of America from "AAA" to "AA+." The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending. See APPENDIX A – " CITY AND COUNTY OF SAN

FRANCISCO ORGANIZATION AND FINANCES – OTHER CITY TAX REVENUES" and "– INVESTMENT OF CITY FUNDS."

Other

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

THE CORPORATION

The Corporation is a nonprofit public benefit corporation duly organized and validly existing under the Nonprofit Public Benefit Corporation Law (Section 5110 et seq. of the California Corporations Code). The Corporation was formed in 1991 by the Chief Administrative Officer of the City pursuant to a resolution of the Board of Supervisors of the City. The purpose of the Corporation is to provide a means to 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 Corporation cannot issue obligations or enter into leases without the City's consent and participation.

The Corporation is governed by a three-member Board of Directors. The initial Board of Directors was appointed by the Chief Administrative Officer of the City. Successive members of the Board of Directors are appointed by the existing Board of Directors to indefinite terms and serve without compensation. The Corporation has no employees. Pursuant to an Administrative Services Agreement dated May 23, 1997, between the City and the Corporation, the City provides administrative services to the Corporation.

Name	Date of Appointment
Pamela S. Jue, President	February 21, 2008
Arnold Laub, Chief Financial Officer	April 8, 2011
Ken Cleaveland, Secretary	April 8, 2011

Outstanding Debt

In addition to the Bonds, the Corporation has issued other bonds secured by separate leases with the City. Additional bonds secured by separate leases with the City may be issued by the Corporation from time to time. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Overlapping Debt" and "– Lease Payments and Other Long-Term Obligations." No amount received by or on behalf of the Corporation with respect to any other bonds issued by the Corporation is available to secure payment of the Bonds.

TAX MATTERS

In the separate opinions of Squire Sanders (US) LLP and Amira Jackmon, Attorney at Law, Co-Bond Counsel, under existing law: (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Bonds is exempt from State of California personal income taxes. A complete copy of the proposed form of the separate opinions of Co-Bond Counsel is set forth in Appendix G. Co-Bond Counsel express no opinion as to any other tax consequences regarding the Bonds.

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

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

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the City or the Corporation may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Corporation and the City have each covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Bonds, Co-Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Co-Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market value of the Bonds.

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

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

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

For example, both the American Jobs Act of 2011 proposed by President Obama on September 12, 2011, and introduced into the Senate on September 13, 2011, and the federal budget for fiscal year 2013 as proposed by President Obama on February 13, 2012, contain provisions that could, among other things, result in additional federal income tax for tax years beginning after 2012 on taxpayers that own tax-exempt obligations, including the Bonds, if they have incomes above certain thresholds.

Prospective purchasers of the Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Co-Bond Counsel expresses no opinion.

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

Original Issue Discount and Original Issue Premium

Certain of the Bonds ("Discount Bonds") as indicated on the inside cover of this Official Statement were offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest represented by the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. The amount of OID that accrues each year to a corporate owner of a Discount Bond is taken into account in computing the corporation’s liability for federal alternative minimum tax. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

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

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

OTHER LEGAL MATTERS

Certain legal matters will be passed upon for the City by the City Attorney. Certain legal matters will be passed upon for the Corporation by Dannis Woliver Kelley. 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 separate legal opinions of Squire Sanders (US) LLP, San Francisco, California and Amira Jackmon, Attorney at Law, Berkeley, California ("Co-Bond Counsel"). 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 opinions of Co-Bond Counsel are set forth in Appendix B 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 it 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 opinion subsequent to its 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.

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

Hawkins Delafield & Wood LLP, San Francisco, California has served as disclosure counsel to the City and in such capacity has advised the City with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Rather, the City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the delivery of the 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 the attorneys at 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 Corporation, will be entitled to or may rely on such letter or Hawkins Delafield & Wood LLP's having acted in the role of disclosure counsel to the City.

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

PROFESSIONALS INVOLVED IN THE OFFERING

Kitahata & Company has acted as Financial Advisor to the City in connection with the issuance, sale and delivery of the Bonds. The Financial Advisor has assisted the City in the review of this Official Statement and in other matters relating to the planning, structuring, and sale of the Bonds. The Financial Advisor has not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City or the Corporation 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 Financial Advisor, Co-Bond Counsel and Disclosure Counsel will all receive compensation from the City contingent upon the sale and delivery of the Bonds. U.S. Bank National Association is acting as trustee and registrar with respect to the Bonds.

CONTINUING DISCLOSURE

The City, on behalf of the Corporation, 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 2011-12, which is due not later than March 27, 2013, 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 E: "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the initial purchaser of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), as amended (the "Rule"). The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events.

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.

ABSENCE OF LITIGATION

The opinions of the Counsel to the Corporation and of the City Attorney, which will be addressed solely to the City and the Corporation, will be furnished to the initial purchaser at the time of the original delivery of the Bonds.

Corporation

No litigation is pending with service of process having been accomplished or, to the knowledge of the Counsel to the Corporation, threatened, concerning the validity of the Bonds, the Indenture or the Lease, 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 Corporation will furnish to the initial purchaser of the Bonds a certificate of the Corporation as to the foregoing as of the time of the original delivery of the Bonds.

City

No litigation is pending or threatened concerning the validity of the Bonds, the Lease, the corporate existence of the City, or the entitlement to their respective offices of the officers of the City who will execute and deliver other documents and certificates in connection with the Bonds. 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.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P"), and Fitch Ratings ("Fitch"), have assigned municipal bond ratings of "A1," "AA-," and "A+," respectively, to the Bonds. Certain information not included in this Official Statement was supplied by the City and the Corporation 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.sandp.com; and Fitch, at www.fitchratings.com. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained, or other actions by a rating agency, may have an adverse effect on the market price 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 April 24, 2012. The Bonds were awarded to Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Purchaser"), who submitted the lowest true interest cost bid, at a purchase price of $10,149,795.68. 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 has certified the reoffering prices or yields for the Bonds set forth on the inside cover of this Official Statement, and the City and the Corporation take no responsibility for the accuracy of those prices or yields. Based on the reoffering prices, the original issue premium on the reoffering of the Bonds is $370,786.60 and the Purchaser's gross compensation (or "spread") is $35,990.92. The Purchaser may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover. The offering prices may be changed from time to time by the Purchaser.

[Remainder of Page Intentionally Left Blank.]

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the City, the Corporation and the initial purchaser or Owners and Beneficial Owners of any of the Bonds.

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

CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION

By: /s/ Pamela S. Jue
President

CITY AND COUNTY OF SAN FRANCISCO

By: /s/ Benjamin Rosenfield
Controller

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

This Appendix contains information that is current as of April 1, 2012.

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.

TABLE OF CONTENTS

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 is the chief executive officer of the City, with 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 as Mayor on November 8, 2011. Prior to being elected Mayor, 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. Prior to his appointment, Mayor Lee served as the City Administrator from 2005 up until his appointment to Mayor. He also was the City's Director of Public Works. Mayor Lee previously worked as the City's Director of Purchasing and as the Director of the Human Rights Commission. Mayor Lee has also served as 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

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
David Chiu, *Board President, District 3*	2008	2013
Mark Farrell, *District 2*	2010	2015
John Avalos, *District 11*	2008	2013
David Campos, *District 9*	2008	2013
Carmen Chu, *District 4*	2007	2015
Jane Kim, *District 6*	2010	2015
Scot Wiener, *District 8*	2010	2015
Sean Elsbernd, *District 7*	2004	2013
Eric Mar, *District 1*	2008	2013
Malia Cohen, *District 10*	2010	2015
Christina Olague, *District 5*	2012	2013

Other Elected and Appointed City Officers

Dennis J. Herrera was re-elected to his third four-year term as City Attorney in November 2009. 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.

Philip Y. Ting was re-elected to his second four-year term as Assessor-Recorder of the City in November 2010. The Assessor-Recorder administers the property tax assessment system of the City. Mr. Ting was first elected Assessor-Recorder at a special election held on November 8, 2005, after being appointed by then-Mayor Newsom in July 2005, upon the mid-term resignation of his predecessor. Mr. Ting's professional experience includes positions as senior consultant for Arthur Andersen, Associate Director of Governmental and Community Relations at San Francisco State University, and former Executive Director of the Asian Law Caucus.

José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2009. 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. 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. Mrs. Kelly became Acting City Administrator in January 2012. As Deputy City Administrator since January 2011, Mrs. Kelly 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. The City's fiscal year 2011-12 adopted budget appropriated annual revenues, fund balance, transfers, and reserves of approximately $6.83 billion, of which the City's General Fund accounted for approximately $3.26 billion. For a further discussion of the fiscal year 2011-12 adopted budget, see "CITY BUDGET – Adopted Fiscal Year 2011-12 Budget" 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 comes 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 on 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. 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 necessitate 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.sfgov.org/controller. 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 three significant changes:

- Specifies a two-year (biennial) budget, replacing the annual budget. Two-year budgets have been prepared for the following four pilot departments in fiscal year 2010-11: the Airport, the Port, the Public Utilities Commission, and MTA. MTA already implemented a two-year budgeting process as a result of the passage of a previous measure, also known as Proposition A, in November 2007. Two-year budgets will be prepared for all departments beginning with fiscal year 2012-13.

- Requires a five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The first five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was adopted by the Board of Supervisors on June 7, 2011, and was updated on March 7, 2012. See "Five Year Financial Plan" below.

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

On April 13, 2010, the Board of Supervisors unanimously adopted policies to 1) codify the City's current practice of maintaining an annual General Reserve for current year fiscal pressures not anticipated in the budget and roughly double the size of the 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 debt service payments 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. These policies are described in further detail below. The Controller's Office may propose additional financial policies by October 1 of any subsequent 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 City 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 City 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 City 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.

Charter Section 3.105 directs the City Controller to issue periodic or special financial reports during the fiscal year. Each year, the City 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 City Controller issued the most recent of these reports, the fiscal year 2011-12 Six-Month Budget Status Report, on February 13, 2012. In addition, under Proposition A of November 2009, the Mayor must submit a Five-Year Financial Plan every two years to the Board of Supervisors which forecasts revenues and expenditures for the next five fiscal years and proposes actions to balance them. The Board of Supervisors approved the City's first Five-Year Financial Plan on June 7, 2011. On March 7, 2012, an update to the five-year financial plan was released by the Controller's Office, Mayor's Office and Board of Supervisors Budget Analyst. See "Five Year Financial Plan" below. The reports are available from the City Controller's website: www.sfgov.org/controller. The information from the said website is not incorporated herein by reference.

General Fund Results; Audited Financial Statements

The General Fund portion of the fiscal year 2011-12 Original Budget totaled $3.26 billion. 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 2007-08 through 2010-11 and the Original Budget for fiscal year 2011-12. 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 2010-11 was issued on November 28, 2011. The fiscal year 2010-11 CAFR reported that as of June 30, 2011, the General Fund available for appropriation in fiscal year 2011-12 was $168.5 million (see Table A-4), of which $159.4 million was assumed in the fiscal year 2011-12 Original Budget and $9.1 million remains available for future appropriations. This represents a $63.2 million increase in available fund balance over the $105.3 million available as of June 30, 2010 and resulted primarily from savings and greater-than-budgeted additional tax revenue, particularly property tax revenue, in fiscal year 2010-11. In addition to this available year-end General Fund balance, the City's Rainy Day Reserve Economic Stabilization Account totaled $33.4 million.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2007-08 through 2011-12
(000s)

	FY 2007-08 Final Revised Budget	FY 2008-09 Final Revised Budget	FY 2009-10 Final Revised Budget	FY 2010-11 Final Revised Budget	FY 2011-12 Original Budget [1 2]
Prior-Year Budgetary Fund Balance & Reserves	$563,435	$461,193	$390,512	$312,040	$172,142
Budgeted Revenues					
Property Taxes	$934,720	$1,018,877	$1,021,015	$984,843	$1,028,677
Business Taxes	359,718	394,556	371,848	342,350	389,878
Other Local Taxes	534,420	552,977	456,140	528,470	602,255
Licenses, Permits and Franchises	22,076	25,041	25,138	23,242	24,337
Fines, Forfeitures and Penalties	6,496	6,060	11,662	3,794	7,710
Interest and Investment Earnings	35,519	23,041	10,984	9,547	6,050
Rents and Concessions	19,805	21,107	19,884	22,346	22,895
Grants and Subventions	713,294	706,953	686,058	681,090	678,378
Charges for Services	137,103	150,839	146,680	145,443	153,546
Other	9,306	11,641	21,713	30,929	18,254
Total Budgeted Revenues	$2,772,457	$2,911,093	$2,771,122	$2,772,054	$2,931,980
Bond Proceeds & Repayment of Loans	1,278	2,579	1,725	785	588
Expenditure Appropriations					
Public Protection	$883,539	$911,533	$954,816	$951,516	$998,237
Public Works, Transportation & Commerce	72,033	68,967	44,276	25,763	51,588
Human Welfare & Neighborhood Development	647,787	653,694	657,274	650,622	672,834
Community Health	458,462	501,700	481,805	513,625	575,446
Culture and Recreation	102,254	96,776	93,755	100,043	100,740
General Administration & Finance	213,433	195,192	174,907	178,709	199,011
General City Responsibilities	77,172	79,097	96,336	88,755	110,725
Total Expenditure Appropriations	$2,454,680	$2,506,959	$2,503,169	$2,509,032	$2,708,581
Budgetary reserves and designations, net	$20,013	$28,028	$16,653	$6,213	$25,000
Transfers In	$68,847	$133,771	$94,678	$119,027	$157,199
Transfers Out	(541,853)	(549,757)	(564,945)	(504,740)	(528,328)
Net Transfers In/Out	($473,006)	($415,986)	($470,267)	($385,713)	($371,129)
Budgeted Excess (Deficiency) of Sources Over (Under) Uses	$389,471	$423,892	$173,270	$183,921	$0
Variance of Actual vs. Budget	71,722	(33,379)	138,770	243,965	
Total Actual Budgetary Fund Balance	$461,193	$390,512	$312,040	$427,886	$0

[1] FY 2011-12 Final Revised Budget available upon release of the FY 2011-12 CAFR.

[2] FY 2011-12 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget. Total Actual Budgetary Fund Balance available upon release of the FY 2011-12 Final Revised Budget in the CAFR.

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, 2011 was $328.0 million (as shown in Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of $3.0 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, 2007 through June 30, 2011.

[Remainder of Page Intentionally Left Blank.]

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of
Audited General Fund Balances
Fiscal Year Ended June 30 [1]
(000s)

	2007	2008	2009	2010	2011	
Restricted for rainy day (Economic Stabilization account)	$117,556	$117,556	$98,297	$39,582	$33,439	2
Restricted for rainy day (One-time Spending account)	16,066	236	-	-	-	2
Committed for budget stabilization (citywide)	-	-	-	-	27,183	
Committed for Recreation & Parks expenditure savings reserve	-	3,266	6,575	4,677	6,248	2
Assigned, not available for appropriation						
Assigned for encumbrances	60,948	63,068	65,902	69,562	57,846	2
Assigned for appropriation carryforward	161,128	99,959	91,075	60,935	73,984	2
Assigned for baseline appropriation funding mandates	2,891	1,491	-	-	-	2
Assigned for budget savings incentive program (citywide)	10,540	16,181	-	-	8,684	2
Assigned for salaries and benefits (MOU)	11,806	12,777	316	4,198	7,151	2
Assigned for litigation	6,824	2,626	-	-	-	2
Total Fund Balance Not Available for Appropriation	$387,759	$317,160	$262,165	$178,954	$214,535	3
Assigned and unassigned, available for appropriation						
Assigned for litigation & contingencies	$43,794	$38,969	$32,900	$27,758	$44,900	4
Assigned for subsequent year's budget	131,882	105,064	95,447	105,328	159,390	5
Unassigned (available for future appropriation)	-	-	-	-	9,061	
Total Fund Balance Available for Appropriation	$175,676	$144,033	$128,347	$133,086	$213,351	6
Total Fund Balance, Budget Basis	$563,435	$461,193	$390,512	$312,040	$427,886	
Budget Basis to GAAP Basis Reconciliation						
Total Fund Balance - Budget Basis	$563,435	$461,193	$390,512	$312,040	$427,886	
Unrealized gain or loss on investments	(376)	(2,629)	(1,148)	1,851	1,610	
Nonspendable fund balance	12,665	11,358	11,307	14,874	20,501	7
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(30,940)	(34,629)	(56,426)	(71,967)	(43,072)	
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	-	(26,071)	(37,940)	(55,938)	(63,898)	
Deferred Amounts on Loan Receivables	(3,323)	(3,587)	(4,630)	(9,082)	(13,561)	
Pre-paid lease revenue	-	-	-	-	(1,460)	
Total Fund Balance, GAAP Basis	$541,461	$405,635	$301,675	$191,778	$328,006	

[1] Summary of financial information derived from City CAFRs. GASB Statement 54, issued in March 2009, and implemented in the City's FY 2010-11 CAFR, establishes a new fund balance classification based primarily on the extent to which a government is bound to observe constraints imposed on the use of funds. Subsequent footnotes in this table provide the former descriptive titles for 2011
[2] Prior to 2011, each line item was titled "reserved" for the purpose indicated
[3] Prior to 2011, titled "Total Reserved Fund Balance"
[4] Prior to 2011, titled "Designated for litigation and contingencies"
[5] Prior to 2011, titled "Unreserved, undesignated fund balance available for appropriation"
[6] Prior to 2011, titled "Total Unreserved Fund Balance"
[7] Prior to 2011, titled "Reserved for Assets Not Available for Appropriation"

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 years. Audited financial statements for the fiscal year ended June 30, 2011 are included herein as Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2011." Prior years' audited financial statements can be obtained from the City Controller's website. Information from the City Controller's website is not incorporated herein by reference. Excluded from this statement of General Fund revenues and expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

[Remainder of Page Intentionally Left Blank.]

TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO

Audited Statement of Revenues, Expenditures and Changes in General Fund Balances

Fiscal Year Ended June 30 [1]

(000s)

	2007	2008	2009	2010	2011	
Revenues:						
Property Taxes	$887,690	$939,812	$999,528	$1,044,740	$1,090,776	
Business Taxes	336,757	394,267	387,313	353,471	391,057	
Other Local Taxes	540,695	519,867	479,194	520,733	608,197	
Licenses, Permits and Franchises	19,639	23,212	24,750	24,249	25,252	
Fines, Forfeitures and Penalties	4,720	8,398	5,618	17,279	6,868	
Interest and Investment Income	30,089	15,779	9,193	7,900	5,910	
Rents and Concessions	18,449	19,490	19,096	18,733	21,943	
Intergovernmental	663,321	649,923	645,365	651,074	657,238	
Charges for Services	125,682	135,473	135,926	138,615	146,631	
Other	21,697	17,948	11,199	21,856	10,377	
Total Revenues	$2,648,739	$2,724,169	$2,717,182	$2,798,650	$2,964,249	
Expenditures:						
Public Protection	$800,383	$881,009	$889,594	$948,772	$950,548	
Public Works, Transportation & Commerce	65,184	69,944	61,812	40,225	25,508	
Human Welfare and Neighborhood Development	568,241	613,135	630,112	632,713	610,063	
Community Health	410,169	454,935	487,638	473,280	493,939	
Culture and Recreation	93,992	105,036	97,415	94,895	99,156	
General Administration & Finance	166,673	196,430	170,109	169,980	175,381	
General City Responsibilities	56,834	71,885	73,904	87,267	85,422	
Total Expenditures	$2,161,476	$2,392,374	$2,410,584	$2,447,132	$2,440,017	
Excess of Revenues over Expenditures	$487,263	$331,795	$306,598	$351,518	$524,232	
Other Financing Sources (Uses):						
Transfers In	$71,277	$70,969	$136,195	$94,115	$108,072	
Transfers Out	(486,600)	(543,640)	(550,910)	(559,263)	(502,378)	
Other Financing Sources	8,245	5,050	4,157	3,733	6,302	
Other Financing Uses	-	-	-	-	-	
Total Other Financing Sources (Uses)	($407,078)	($467,621)	($410,558)	($461,415)	($388,004)	
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$80,185	($135,826)	($103,960)	($109,897)	$136,228	
Total Fund Balance at Beginning of Year	461,276	$541,461	405,635	$301,675	$191,778	
Total Fund Balance at End of Year -- GAAP Basis [1]	$541,461	$405,635	$301,675	$191,778	$328,006	
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End [2]						
-- GAAP Basis	$141,037	$77,117	$28,203	($2,050)	$48,070	[2]
-- Budget Basis	$131,882	$105,064	$95,447	$105,328	$168,451	[3]

[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] Prior to adoption of GASB Statement 54 in 2011, titled "Unreserved & Undesignated Balance, Year End"

[3] Total for FY 2010-11 amount is comprised of $159.4 million in assigned balance subsequently appropriated for use in FY 2011-12 plus $9.1 million in 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 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. The first Five-Year Financial Plan, covering fiscal years 2011-12 through 2015-16, was prepared by the Mayor's Office and Controller's Office in collaboration with City departments and adopted by the Board of Supervisors on June 7, 2011.

Over the next five years, the City projected continued recovery in tax revenues, most of which bottomed out in fiscal year 2008-09 or fiscal year 2009-10 and are projected to return to pre-recessionary levels in fiscal year 2012-13 or later. Despite the fall-off and slow recovery, the City's current budget and financial status is relatively stable compared to many municipalities in California and to other parts of the United States. However, the cost of City services is projected to steadily outpace revenue growth during the five-year period. If the City does not take corrective action, the gap between revenues and expenditures will rise from $283 million to approximately $829 million from fiscal year 2011-12 to fiscal year 2015-16.

Employee pension costs, wages and other benefit growth are the single largest driver of cost growth and the imbalance between revenues and expenditures, growing by $648 million, or 32%, during the five years of the plan. Benefit costs alone are projected to grow 62% by fiscal year 2015-16. In contrast, total General Fund revenues are projected to grow only $416 million over the same period, or 11%. Other costs projected to increase include: Professional & Contractual Services ($127 million, 19%); Aid Assistance and Grants ($56 million, 13%); Materials and Supplies ($49 million, 43%); and Capital and Debt Service ($100 million, 157%).

If the City takes proactive action to address the imbalance between revenues and expenditures, it can restore stability to its finances over the next five years and prepare for future economic downturns. The plan proposes the following strategies to restore fiscal stability: controlling capital spending and debt restructuring; controlling wage and benefit costs; additional tax and fee revenues; adjustments to baselines and revenue allocations; limiting growth in contract and materials costs; reduced reliance on non-recurring revenues and savings; and ongoing departmental revenues and savings initiatives.

An update to the adopted Five-Year Financial Plan projections was prepared by the Controller's Office, Mayor's Office and Board of Supervisors Budget Analyst on March 7, 2012. The Five Year Financial Plan Update for General Fund Supported Operations for fiscal year 2012-13 through fiscal year 2015-16 projects budgetary shortfalls of $170 million, $312 million, $492 million and $495 million over the next four fiscal years. The report projects continued recovery in local tax revenues. However, projected increases in employee salary and benefits, citywide operating expenses, and departmental costs are rising faster than projected revenue growth. To the extent budgets are balanced with ongoing solutions, future shortfalls will decrease. The second Five-Year Financial Plan, covering fiscal years 2013-14 through 2017-18, is expected to be prepared by the Mayor's Office and Controller's Office in collaboration with City departments and adopted by the Board of Supervisors in February 2013.

Adopted Fiscal Year 2011-12 Budget

On July 26, 2011, the Board of Supervisors adopted and Mayor Lee signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for fiscal year ending June 30, 2012 and fiscal year ending June 30, 2013. The fiscal year 2011-12 Original Budget is $6.83 billion, an increase of $270 million from the fiscal year 2010-11 Original Budget of $6.56 billion. The General Fund portion of the fiscal year 2011-12 Original Budget is $3.26 billion, an increase of $290 million from the fiscal year 2010-11 Original Budget of $2.97 billion. Funded positions in the fiscal year 2011-12 Original Budget total 26,182 positions, an increase of 74 from the fiscal year 2010-11 Original Budget.

On April 11, 2011, the Controller's office, Mayor's office and Board of Supervisors' budget analyst released a Three Year Budget Projection for general fund supported operations for the fiscal years 2011-12 through 2013-14 (the "Joint Report"). The Joint Report provided updated expenditure and revenue projections for the said fiscal years. The $306 million General Fund shortfall projected by the Joint Report for fiscal year 2011-12 was closed through a combination of expenditure savings and revenue increases, including $56 million in fiscal year 2010-11 savings and revenue improvements. Expenditure savings included $35 million in capital budget reductions, $19 million from debt service restructuring, $18 million from reductions to professional services contracts and eliminating inflationary increases assumed in the Joint Report for materials, supplies, contracts, and other items, $15 million from reducing transfers to SFUSD, and $106 million in departmental savings. General Fund revenues improved $32 million, offset by $10 million in baseline funding increases, and State funding reductions to specific programs totaled $9 million, offset by a reduction of $15 million in the City's assumption of unallocated State funding cuts, from $30 million to $15 million. A variety of smaller revenue and expenditure solutions provided the final $29 million needed to close the shortfall.

Impact of State Budget on City Budget

The State is slowly recovering from a severe economic recession. Revenues from the State represent approximately 14% of the General Fund revenues set forth in the fiscal year 2011-12 Original Budget, 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.

California Governor Brown signed the State's fiscal year 2011-12 budget on June 30, 2011. This budget contained two major initiatives with far-reaching implications for the City: public safety realignment of lower level offenders and parolees from State jurisdiction to counties, and the dissolution of redevelopment agencies. See "San Francisco Redevelopment Agency Dissolution" herein. In addition, the budget contained a provision implementing "trigger cuts" to educational and human services programs if State revenues came short of State budget projections.

The General Fund portion of the City's fiscal year 2011-12 Original Budget contains a $15 million General Fund allowance for potential State cuts to City programs, and a separate $2.9 million reserve in the City's Children's Fund, which is available to offset potential State cuts to childcare programs.

As part of the first phase of public safety realignment in the State's fiscal year 2011-12 budget, starting in October 2011, the City expects to receive an increased caseload of approximately 700 additional offenders who will need to be supervised in County jails, in alternatives to incarceration, or on probation, for which the City expects to receive approximately $5.8 million in additional State funding in fiscal year 2011-12. The City's fiscal year 2011-12 Original Budget includes $4.8 million in additional local funding to help implement the transition. An implementation planning group comprised of local public safety departments and the Department of Public Health has been developing a comprehensive plan for how to serve this new population.

On December 13, 2011, the State Department of Finance issued an updated estimate of fiscal year 2011-12 General Fund revenues of $86.2 billion, which is $2.2 billion below the Budget Act forecast, triggering automatic cuts and revenue adjustments totaling $980.8 million. Approximately $630.0 million in cuts are to elementary and higher education. The other largest groups of cuts are $101.5 million from a 20% reduction to in-home support service hours for the elderly and disabled, a $100.0 million to the State Department of Developmental Services, and $67.7 million from increasing the charges counties for sending youthful offenders to the State Department of Corrections and Rehabilitation facilities. Cuts to in-home support services have been challenged in court and implementation of these cuts has been stayed. If implemented, these cuts would result in significant service impacts to elderly and disabled clients of the in-home support services program, but in fiscal terms, would result in budgetary savings for the City due to the lower local share required as a result of the reduced services. Increased costs to the City for State supervision of youthful offenders are estimated to cost an extra $375,000 to $625,000 in FY 2011-12, and roughly $725,000 to $1.25 million in FY 2012-13, if the number of applicable offenders remains constant.

On January 5, 2012, California Governor Brown released his fiscal year 2012-13 budget proposal. This proposal forecasts a $9.2 billion budget deficit for the State of California through fiscal year 2012-13 and annual future budget gaps of $5 billion or less. The Governor's proposed budget would close the budget gap through $4.2 billion in expenditure reductions, $4.7 billion in new revenues, and $1.4 billion in other solutions, creating a $1.1 billion reserve. The Governor's proposal is subject to revision and approval by the Legislature and the assumptions will be updated in the Governor's May Revision. The City has not completed an analysis of the potential impacts to the City of the Governor's fiscal year 2012-13 state budget proposal.

Other Budget Updates

On December 6, 2011 the Mayor's Office issued instructions for fiscal year 2012-13 and 2013-14 department budget submissions. The Mayor's Office is projecting a General Fund shortfall of $262.7 million for fiscal year 2012-13 and $375.3 million for fiscal year 2013-14, based on current operations and staffing levels and estimated revenues. The projected shortfalls are due primarily to a loss of federal and state revenues, expiration of one-time solutions used to balance the fiscal year 2011-12 budget, and increased costs, particularly personnel costs, offset by modest growth in local tax revenue. The Mayor's Office has instructed departments to submit budget requests that reduce the need for General Fund support by 5% in fiscal year 2012-13 ongoing to address the following year's projected deficit and an additional 5% in fiscal year 2013-14 ongoing for future years, as well as a contingency proposal of an additional 2.5% General Fund reduction that could be implemented in either year if necessary. In addition, the Mayor's Office has instructed departments to reduce General Fund full-time equivalent positions by 1% in each of the next two years.

On February 13, 2012, the Controller's Office issued a Six-Month Budget Status report (Six-Month Report) which projected the General Fund would end fiscal year 2011-12 with a surplus of $129.1 million. The surplus is made up of $8.1 million in better than anticipated starting fund balance, $106.5 million in better than anticipated Citywide revenues, net departmental operating savings of $10.6 million and $4.9 million impact from changes to reserves, and , offset by $1.0 million in pending supplemental appropriations. The general revenue improvements are driven primarily by recovery in local economic activity resulting in improved outlooks for real property transfer tax, payroll tax, sales tax and hotel tax. The Nine-Month Budget Status Report, to be published in May, 2012, will provide updated projections.

Budgetary Reserves and Economic Stabilization and Limitations on Use of Selected Nonrecurring Revenues

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.

Additionally, 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 City 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 the following two accounts within the Rainy Day Reserve and for other lawful governmental purposes.

50 percent of the excess revenues to the Rainy Day Economic Stabilization account;
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.

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. Moneys in the Rainy Day Reserve's Economic Stabilization account 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). Moneys in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives. Except for the transfer to SFUSD described below, no draw from the Rainy Day Reserve is budgeted in fiscal year 2011-12.

If the City Controller projects that per-pupil revenues for the SFUSD will be reduced in the upcoming budget year, the Board of Supervisors and Mayor may appropriate funds from the Rainy Day Economic Stabilization account to the SFUSD. This appropriation may not exceed the dollar value of the total decline in school district revenues, or 25% of the account balance, whichever is less. In fiscal year 2011-12, $8.4 million was appropriated to be transferred to the SFUSD to partially offset SFUSD's planned layoffs and declining per-pupil revenues.

On April 13, 2010, the Board of Supervisors unanimously approved the City 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.

Specifically, the proposed financial policies (1) codified the current practice of maintaining an annual General Reserve to be used for current-year fiscal pressures not anticipated during the budget process and (2) created a new Budget Stabilization Reserve to help the City mitigate the impact of multi-year revenue downturns. Under the new General Reserve policy, the reserve will equal $25 million in fiscal year 2011-12, in line with the City's practice in recent years, and will increase to 2% of General Fund revenues by fiscal year 2016-17 ($59 million at currently budgeted levels). The new Budget Stabilization Reserve will augment the existing Rainy Day Reserve and will be funded through the dedication of 75% of certain volatile revenues to the new reserve, including Real Property Transfer Tax 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. The fiscal year 2010-11 ending unassigned fund balance of $195.7 million was $36.3 million more than the $159.4 million of fund balance assumed in the fiscal year 2011-12 budget. Accordingly, $27.2 million, or 75% of this variance, was deposited into the Budget Stabilization Reserve.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues. 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. Had the proposed policy been in place at the same time the Rainy Day Reserve went into effect (fiscal year 2003-04), approximately $210 million would have been deposited into the Budget Stabilization Reserve.

On November 22, 2011, the Board of Supervisors unanimously approved the Controller's proposed financial policy limiting the use of certain nonrecurring revenues to nonrecurring expenses. 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 nonrestricted 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.

San Francisco Redevelopment Agency Dissolution

On February 1, 2012, the SFRDA ceased to exist by operation of law as a result of Assembly Bill No. 1X 26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) ("AB 26"), and a recent California Supreme Court decision described below. The City, as successor agency to the SFRDA under AB 26, assumed the assets and certain enforceable obligations of the SFRDA subject to the terms, conditions and limitations set forth in AB 26. In general, the debt of the SFRDA will become the debt of the City as the SFRDA's successor agency. Such debt will be payable only from the property tax revenues (former tax increment) or other revenue sources that originally secured such debt. AB 26 does not provide for any new sources of revenue, including general fund revenues of the City, for any SFRDA bonds.

There are significant uncertainties regarding the meaning of certain provisions of AB 26 and the impact of AB 26 on the City, including, among other matters, the obligation imposed on the City in performing its duties as successor agency to the SFRDA, performing the enforceable obligations of the former SFRDA, paying the debt of the former SFRDA and completing certain projects of the former SFRDA. Future legislation and court decisions may clarify some of these uncertainties. There is also uncertainty about how the City may pursue certain community development goals that the former SFRDA undertook and that are not covered by enforceable obligations, and the City's use of alternative funding sources for projects and programs to pursue such goals.

AB 26 and Supreme Court Decision

On December 29, 2011 the California Supreme Court issued its decision in *California Redevelopment Association v. Matosantos* (No. S194861) ("Matosantos") regarding the constitutionality of two budget bills involving redevelopment, AB 26 and ABX1 27 (Chapter 6, Statutes of 2011-12, First Extraordinary Session) ("AB 27"). AB 26 dissolved all redevelopment agencies, and designated "successor agencies" with certain powers and duties. AB 27 would have allowed a redevelopment agency to continue to exist, notwithstanding AB 26, if the city or county that created the redevelopment agency made certain payments for the benefit of the local schools and other taxing entities. In *Matosantos* the Court upheld AB 26 requiring the dissolution of redevelopment agencies and the transfer of assets and obligations to successor agencies, but invalidated AB 27. The *Matosantos* decision also modified various deadlines for the implementation of AB 26.

As a consequence of the *Matosantos* decision, all California redevelopment agencies, including the SFRDA, dissolved by operation of law on February 1, 2012. All property tax revenues that would have been allocated to redevelopment agencies, including the SFRDA, will be allocated to the applicable Redevelopment Property Tax Trust Fund created by the County Auditor-Controller for the "successor agency." Such funds are to be used for payments on indebtedness and other "enforceable obligations" (as defined in AB 26), and to pay certain administrative costs and any amounts in excess of that amount are to be considered property taxes that will be distributed to taxing agencies.

AB 26 requires successor agencies, such as the City, to continue to make payments and perform other obligations required under enforceable obligations for former redevelopment agencies. AB 26 defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legally binding and enforceable agreements and certain other obligations. AB 26 generally excludes from the definition of enforceable obligations any loans or agreements solely between a redevelopment agency and the city or county that created the agency. It also excludes any agreements that are void as violating the debt limit or public policy. Payment and performance of enforceable obligations is subject to review by oversight boards and by the State Controller and State Department of Finance.

A summary timeline of some key events that AB 26 establishes (as modified by the *Motosantos* decision) relating to a successor agency's obligation to make payments on enforceable obligations is provided below:

- January 29, 2012 – A former redevelopment agency must have prepared a preliminary draft of a Recognized Obligation Payment Schedule (also referred to as a "ROPS"). A former redevelopment agency must also have adopted an Enforceable Obligation Payment Schedule (also referred to as an "EOPS") that lists all obligations that are enforceable.

- February 1, 2012 – All redevelopment agencies cease to exist by operation of law, and successor agencies take over the obligations of the former redevelopment agencies.

- March 1, 2012 – Successor agency must prepare an initial ROPS through at least June 30, 2012 that contains projected dates and scheduled payments for each enforceable obligation; provided that (1) such ROPS and each subsequent ROPS is not valid until it has been reviewed and certified as to its accuracy by the applicable County Auditor-Controller, (2) the ROPS is approved by the Oversight Board, and (3) a copy of the ROPS is submitted to the County Auditor-Controller, the State Controller's Office and the California Department of Finance.

- April 15, 2012 – A successor agency must submit an adopted ROPS through at least June 30, 2012 to the State Controller and Department of Finance.

- May 1, 2012 – Oversight boards must be created; successor agencies wind down former redevelopment agency operations and pay debt service and make other required payments for enforceable obligations only pursuant to the ROPS (which replaces the former agency's statement of indebtedness and may be reviewed/contested by State Department of Finance or State Controller).

- May 16, 2012 – County Auditor-Controller first allocates money that was previously tax increment pursuant to ROPS.

- July 1, 2012 – County Auditor-Controller must finish audit of former redevelopment agency assets and liabilities, including a determination and documentation of the amount and terms of indebtedness of the former redevelopment agency and a certification of the ROPS.

- July 15, 2012 – County Auditor- Controller must provide a copy of the audit to the State Department of Finance.

- October 1, 2012 – County Auditor-Controller must report to the State Controller and Department of Finance specified information about property taxes remitted from the Redevelopment Property Tax Trust Fund.

There is uncertainty under AB 26 about how to reconcile some of these deadlines, including the requirement that successor agencies make payments on enforceable obligations only under a ROPS after May 1, 2012, even though AB 26 provides that a ROPS is not valid until, among other things, the County Auditor-Controller completes the audit of the former redevelopment agency. AB 26 does not require that audit to be completed until July 1, 2012.

AB 26 provides that all rights, powers, duties and obligations of a redevelopment agency under the Community Redevelopment Law that have not been repealed, restricted or revised pursuant to AB 26 will be vested in the successor agency. The successor agency for each redevelopment agency is generally the county or city that authorized the creation of the redevelopment agency. On January 26, 2012 the City adopted a Board of Supervisors resolution providing for the City to become the successor agency to the SFRDA, including for the SFRDA's housing assets.

AB 26 expressly limits the liabilities of a successor agency in performing duties under AB 26 to the amount of property tax revenues received by such successor agency under AB 26 (generally equal to the amount of former tax increment received by the former redevelopment agency) and the assets of the former redevelopment agency. AB 26 does not provide for any new sources of revenue, including general fund revenues of the City, for any SFRDA bonds (but as discussed below, the City's costs of performing its obligations under AB 26 and of pursuing the economic development goals of the former SFRDA are uncertain and could be significant).

Payment of Enforceable Obligations

The tax allocation bonds ("TABS") issued by the former SFRDA are secured solely by property tax revenues from the designated redevelopment project areas (former increment) formerly payable to the SFRDA (and now available to the City as Successor Agency to the SFRDA to pay debt service on the TABS) and from certain funds and accounts established pursuant to the trust agreement relating to each series of the TABS. The City, as Successor Agency to the SFRDA, is not obligated to pay the principal of, premium, if any, or interest on any TABS, except from property tax revenues from the redevelopment project area allocated to the City and pledged to repayment of the TABS. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the TABs. The TABS are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any property of the City or any of its income or receipts, except the property tax revenues from the redevelopment project area allocated to the City and pledged to repayment of the TABS or the property or assets that the City acquired as Successor Agency to the former SFRDA under AB 26 and that are pledged for such purposes.

In addition, the hotel tax bonds issued by the SFRDA are secured solely by amounts legally available to be received by or on behalf of the former SFRDA (and now available to the City as Successor Agency to the SFRDA to pay debt service on the hotel tax bonds) from the levy of 12% hotel tax ("Hotel Taxes") on all hotels within specific redevelopment project areas and from certain funds and accounts established pursuant to the indenture relating to the hotel tax bonds. The City, as Successor Agency to the SFRDA, is not obligated to pay the principal of, premium, if any, or interest on any hotel tax bonds except from Hotel Taxes allocated to the City as Successor Agency. The hotel tax bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any property of the City or any of its income or receipts, except the Hotel Taxes allocated to the City.

Pursuant to AB 26, enforceable obligations (which, as mentioned above, include bonds as defined in the act) continue to exist. Nothing in AB 26 is intended to give rise to or cause a default under documents governing enforceable obligations, or absolve a successor agency of payment or other obligations imposed by enforceable obligations. AB 26 provides that pledges of revenues for enforceable obligations are to be honored.

Under AB 26, the County Auditor-Controller is required to determine the amount of property taxes that the redevelopment agencies would have received had they not been dissolved pursuant to AB 26, using assessed values on the last equalized roll on August 20, statutory formulas or contractual agreements with taxing entities, and deposit such amount in the Redevelopment Property Tax Trust Fund. The Redevelopment Property Tax Trust Fund is administered by the County Auditor-Controller for the benefit of the holders of enforceable obligations and the taxing entities that receive pass-through payments and property tax distributions.

Oversight Board

AB 26 requires successor agencies to create a new Oversight Board to be composed of seven members and to act by majority vote. There are special provisions for appointment of the members for a consolidated city and county, such as the City: three members are appointed by the Mayor of the City and confirmed by the Board of Supervisors, one member by the Superintendent of Schools to represent the schools in the City, one member is appointed by the largest special district (by property tax share) with territory within the territorial jurisdiction of the former redevelopment agency (BART), one member by the Chancellor of the California Community Colleges to represent community college districts in the City, and one member is appointed by the Mayor of the City subject to confirmation by the Board of Supervisors representing employees of the former SFRDA. On January 24, 2012 the Board of Supervisors approved the Mayor's four appointments to the Oversight Board. In accordance with AB 26, the Oversight Board must be established by May 1, 2012.

Impact of AB 26 and Information concerning SFRDA

Although provisions have been made under AB 26 to provide funds (i.e. property tax revenues) to continue certain enforceable obligations of the SFRDA, the costs of performing its duties under AB 26, including performing all enforceable obligations of the former SFRDA, and pursing community development goals that the former SFRDA undertook and that are not covered by enforceable obligations are uncertain, and could impose significant costs on the City's general fund not offset by property tax revenues.

The following includes a very brief summary of certain financial and operating information relating to SFRDA. The provisions of AB 26 are unclear as to numerous aspects of the operations and finances of the former SFRDA after the City assumes its assets and certain obligations, including but not limited to the administration of enforceable obligations (including bonds), the flow and uses of tax increment moneys and the disposition of SFRDA assets. Therefore, there are significant uncertainties regarding the finances and operations of the former SFRDA entity and administration of its bonds once the City becomes the successor agency to the SFRDA. Interpretations and clarification of AB 26 are likely to come from future State legislation or administrative guidance and court decisions. At present, the City cannot predict many aspects or the overall outcome of AB 26 on the City's finances and the SFRDA bonds; however it is likely that at least certain aspects of the implementation of AB 26 may materially impact the finances of the City and may materially impact the SFRDA bonds. Further, future redevelopment and housing activities in the City that would have been undertaken by the SFRDA had it continued in existence will no longer occur if they are not required under preexisting enforceable obligations.

Commencing with the fiscal year ending June 30, 2012, the City will include financial information pertaining to the former SFRDA in the City's audited financial statements.

The City is the successor agency to the SFRDA as of February 1, 2012. The SFRDA had total assets of $926,828,322 and total liabilities of $1,252,490,339, including bonds and loans in the amount of $1,131,901,000, as of June 30, 2011 according to its most recent audited financial statement (the “2011 SFRDA CAFR”).

The 2011 SFRDA CAFR reports that the SFRDA's fiscal year 2010-11 total revenues were $165.5 million, with property tax increment accounting for more than 60% of such total revenues. The SFRDA has utilized a considerable portion of its property tax increment to secure borrowings in the capital market. Other major revenue sources in fiscal year 2011 were rental and lease income, federal grants, hotel tax, investment income, berth rent, and other income derived from financing and developer fees, developer reimbursements of SFRDA expenses, and one-time revenues associated with certain developments and SFRDA requirements.

The SFRDA's total spending for fiscal year ended June 30, 2011 totaled $247 million. The SFRDA spent most of the funds primarily for activities such as the (1) ongoing creation of low-and-moderate-income housing, (2) continuation of funding for ongoing construction and financing of infrastructure for various project areas including public improvements thereof, (3) ongoing funding for cultural operations in the Yerba Buena area, (4) ongoing operation of South Beach Harbor, (5) job training and business development, and (6) completion of redevelopment programs in the Western Addition and Yerba Buena Center. In fiscal year 2010-11, the SFRDA spent $64.9 million on its housing program.

The SFRDA had certain investments that were transferred to the Treasurer to hold and invest (use of these funds is subject to various legal restrictions). Such funds will be invested pursuant to the Treasurer's Investment Policy.

On January 26, 2012, the City adopted a resolution that provided for the City to assume its duties as successor agency to the SFRDA. The resolution also approved the retention by the City of all the affordable housing assets of the SFRDA (including encumbered funds in the Low and Moderate Income Housing Fund) and authorized the Mayor's Office of Housing to manage the housing assets and exercise the housing functions that the SFRDA formerly performed. The resolution places most of the non-housing assets of the SFRDA under the jurisdiction of the Director of the Department of Administrative Services.

Except for a small group of unrepresented employees, the SFRDA employees are in bargaining groups represented by the International Federation of Professional and Technical Employees (IFPTE) Local 21 and Service Employees International Union (SEIU) Local 1021. The collective bargaining agreements between the former SFRDA and with these bargaining groups currently expire on March 31, 2012.

The SFRDA has approximately 100 employees who became employees of the City as successor agency, and the City must comply with the SFRDA's collectively bargained agreements applicable to these employees until the expiration of those agreements. Wages and benefits payable to employees under those agreements are to be paid as enforceable obligations from the monies in the Redevelopment Property Tax Trust Fund. Under the SFRDA collectively bargained agreements, the SFRDA employees currently participate in the California Public Employees Retirement System ("CalPERS") for their pension plan and health care plan and the California Employers' Retiree Trust ("CERBT") Fund to fund other postemployment benefits ("OPEB"). The 2011 SFRDA CAFR reports that unfunded actuarial accrued liability ("UAAL") of the CalPERS plan for the SFRDA employees was $4,294,409 as of June 30, 2010 and that the UAAL of the OPEB plan was $13,297,000 as of June 30, 2009.

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. The City Controller 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 City 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 resolution adopted no later than September 1. The Treasurer and Tax Collector prepares and mails tax bills to taxpayers and collects the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See "– Taxation of State-Assessed Utility Property" below.

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-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, and the San Francisco Bay Area Rapid Transit District ("BART"), all of which are legal entities separate from the City. See also, Table A-24: "Direct and Overlapping Debt and Long-Term Obligations" below. In addition to *ad valorem* taxes, the SFUSD levies a voter-approved tax at $208.46 per parcel, to be adjusted annually for inflation until its expiration in 2028.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the San Francisco Redevelopment Agency ("SFRDA"). Upon formation of each "project area" of SFRDA, all property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to SFRDA, causing a loss of tax revenues from that time forward 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. SFRDA is budgeted to receive $136.2 million in property tax increment in fiscal year 2011-12. As discussed in the "Impact of State Budget on City Budget" section above, the State's fiscal year 2011-12 budget included provisions to dissolve redevelopment agencies. Pursuant to a December 29, 2011 California State Supreme Court ruling, the dissolution of all redevelopment agencies will be effective February 1, 2012. The City is currently taking steps to manage the transition of SFRDA assets and obligations to the successor agency. See "San Francisco Redevelopment Agency Dissolution" herein.

The percent collected of property tax (current year levies excluding supplementals) has increased slightly from 97.54% for fiscal year 2009-10 to 97.96% for fiscal year 2010-11. Please note that 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 of California. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, increased to 927 in fiscal year 2010-11 from 900 in fiscal year 2009-10, an increase of 3%; and from 630 in fiscal year 2008-09. This represents 0.32%, 0.45%, and 0.46% of total parcels in fiscal years 2008-09, 2009-10, and 2010-11, respectively.

[Remainder of Page Intentionally Left Blank.]

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2007-08 through 2011-12
(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
2007-08	$130,004,479	8.5%	1.141	$1,509,697	$1,476,650	97.81%
2008-09	141,274,628	8.7%	1.163	1,702,533	1,661,717	97.60%
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.54%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	97.96%
2011-12	158,649,887	0.5%	1.172	1,859,059	n/a	n/a

[1] Based on Certificate of Assessed Valuation dated as of August 15 2011. Net Assessed Valuation (NAV) is Total Assessed Values 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 through FY 2010-11 and Total Tax Collected is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported on Treasurer/Tax Collector Report 100 and reported to the State of California (available on the website of the California State Controller's Office). Tax Levy for FY 11-12 based on Certificate of Assessed Valuation.

Note: This table has been modifed 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.

For fiscal year 2011-12, the total net assessed valuation of taxable property within the City is $158.65 billion. Of this total, $149.40 billion (94.2%) represents secured valuations and $9.25 billion (5.8%) represents unsecured valuations. (See "–Tax Levy and Collection" below, for a further discussion of secured and unsecured property valuations.)

Proposition 13 limits to 2% per year 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 property values.

Under Article XIIIA of the State Constitution added by Proposition 13 in 1978, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. Every year, some taxpayers appeal the Assessor's determination of their properties' 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. With respect to the fiscal year 2010-11 levy, property owners representing approximately 25.9% of the total assessed valuation in the City filed appeals for a reduction of their assessed value.

The City typically experiences increases in assessment appeals activity during economic downturns and decreases 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 and BART share proportionately in any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues.

In fiscal year 2010-11, the Assessor granted 18,841 temporary reductions in residential property assessed value worth a total of $2.35 billion, compared to 18,110 temporary reductions with a value of $1.96 billion granted in fiscal year 2009-10. The fiscal year 2010-11 $2.35 billion temporary reduction total represents 1.5% of the fiscal year 2011-12 Net Assessed Valuation of $158.65 billion shown in Table A-5. The average temporary reduction granted increased from $108,171 in 2010 to $124,577 in 2011. All of the temporary reductions granted are subject to review in the following year.

As of November 1, 2011, the total number of open appeals before the Assessment Appeals Board (AAB) was 10,685, compared to 6,399 open AAB appeals as of November 1, 2010, including 5,123 filed since July 1, 2011 with balance pending from prior fiscal years. The difference between the current assessed value and the taxpayers' opinions of values for the 10,685 open AAB appeals is $42.8 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all of the taxpayers' requests, this represents a potential property tax impact on all agencies of $337 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 a projected loss 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 2011-12 is estimated to produce $1.72 billion, not including supplemental and escape assessments that may be assessed during the year. Of this amount, the City has budgeted to receive $1.0 billion into the General Fund and $113.9 million into special revenue funds designated for children's programs, libraries and open space. The Six Month Report projected property tax revenues into the General Fund to be $31.3 million above budget and-0.2% below prior year actual revenues. SFUSD and SFCCD are estimated to receive $112.9 million and $21.1 million, respectively, and the local ERAF is estimated to receive $371.4 million (before adjusting for the State's Triple Flip sales tax and vehicle license fees ("VLF") backfill shifts). The SFRDA is budgeted to receive $136.2 million, before deducting an estimated $13.1 million in pass-through obligations. But see "San Francisco Redevelopment Agency Dissolution" regarding the dissolution of redevelopment agencies. 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.

The City's General Fund is allocated about 50% 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.

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-6.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
(000s)

Year Ended	Amount Funded
June 30, 2007	$13,180
June 30, 2008	14,330
June 30, 2009	16,220
June 30, 2010	17,507
June 30, 2011	17,302

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 ended June 30, 2011 are shown in Table A-7. 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.

[Remainder of Page Intentionally Left Blank.]

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
Fiscal Year Ending June 30, 2011
(000s)

Assessee	Location	Parcel Number	Type	Total Assessed Value[1]	% of Basis of Levy
HWA 555 Owners LLC	555 California St	0259 026	Commercial Office	$904,469	0.57%
Paramount Group Real Estate Fund	1 Market St	3713 007	Commercial Office	740,958	0.47%
Emporium Mall LLC	845 Market St	3705 056	Commercial Retail	472,558	0.30%
333 Market Street LLC	333 Market St	3710 020	Commercial Office	386,927	0.24%
Four Embarcadero Center Venture	4 The Embarcadero	0233 044	Commercial Office	383,331	0.24%
Post-Montgomery Associates	165 Sutter St	0292 015	Commercial Retail	372,229	0.23%
S F Hilton Inc	1 Hilton Square	0325 031	Commercial Hotel	369,887	0.23%
SHR St Francis LLC	301-345 Powell St	0307 001	Commercial Hotel	361,132	0.23%
PPF Off One Maritime Plaza LP	300 Clay St	0204 021	Commercial Office	353,118	0.22%
One Embarcadero Center Venture	1 The Embarcadero	0230 028	Commercial Office	330,566	0.21%
				$4,675,175	**2.93%**

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.
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 2011-12 valuation of property assessed by the State Board of Equalization is $2.44 billion, as recorded on the fiscal year 2011-12 certificate of assessed valuation.

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 TAX 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

Businesses in the City may be subject to two types of taxes. The first is a payroll expense tax, assessed at a rate of 1.5% on gross payroll expense attributable to all work performed or services rendered within the City. The tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. Recent changes to the tax exempted small businesses with annual payroll of less than $250,000 and subjected partnership profit distributions to the tax. The net effect of these provisions was estimated to be approximately $10.5 million in new revenues beginning in fiscal year 2009-10. The City also levies a registration tax on businesses, which varies from $25 to $500 per year per subject business based on the prior year computed payroll tax liability.

The fiscal year 2011-12 Original Budget included $8.4 million in business registration revenues and $381.5 million in payroll tax revenues accruing to the General Fund, a combined increase of $47.5 million or 13.9% over the fiscal year 2010-11 Original Budget. Fiscal year 2011-12 budgeted payroll tax revenues are $1.2 million lower than actual fiscal year 2010-11 revenues of $391.1 million due to higher than expected fiscal year 2010-11 receipts than projected during budget preparation. The Six Month Report projected business registration and payroll taxes of $19.8 million better than budgeted levels and 4.8% above prior year actual revenues.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Payroll Tax Revenues
Fiscal Years 2007-08 through 2011-12
All Funds
(000s)

Fiscal Year	Revenue	Change	
2007-08	$396,025	$58,433	17.3%
2008-09	388,654	(7,371)	-1.9%
2009-10	354,020	(34,634)	-8.9%
2010-11	391,779	37,759	10.7%
2011-12 budgeted	390,613	(1,166)	-0.3%

Includes both Payroll Tax and Business Registration Tax. Figures for FY 2007-08 through FY 2010-11 are taken from CAFRs. Figure for FY 2011-12 is from the Original Budget. Includes portion allocated to special revenue funds.
Source: Office of the Controller, City and County of San Francisco.

In April 2011, the Board of Supervisors adopted Ordinance 68-11 that established a payroll expense tax exclusion for certain business located in the Central Market and Tenderloin Area. The Ordinance expires according to its terms in 2019. The Controller projects the loss to the City in payroll expense tax revenue due to Ordinance 68-11 is approximately $4.2 million.

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. The fiscal year 2011-12 Original Budget included a General Fund allocation of $165.9 million, an increase of $7.0 million or 4.4% from fiscal year 2010-11. The Six Month Report projected transient occupancy taxes to be $11.8 million above budget and 11.7% above prior year actual revenues.

Because the allocation of hotel tax revenues is set by the Mayor and Board of Supervisors as described in the Administrative Provisions of the Annual Appropriation Ordinance, all of the gain or loss in revenue from budgeted levels falls to the General Fund, contributing to the large variances from prior periods. Table A-9 sets forth a history of transient occupancy tax receipts for fiscal years 2007-08 through 2011-12 budget.

[Remainder of Page Intentionally Left Blank.]

TABLE A -9

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Receipts (000s)
Fiscal Years 2007-08 through 2011-12
All Funds

Fiscal Year	Tax Rate	Revenue	Change	
2007-08	14.00%	$224,814	$25,046	12.5%
2008-09	14.00%	219,777	(5,037)	-2.2%
2009-10	14.00%	192,082	(27,695)	-12.6%
2010-11	14.00%	215,512	23,430	12.2%
2011-12 budgeted	14.00%	220,040	4,528	2.1%

Revenues reflect the underlying occupancy and room rate activity by fiscal year.

Figures for FY 2007-08 through FY 2010-11 are taken from CAFRs. Figure for FY 2011-12 is from the Original Budget.

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. Rates as of July 1, 2010 were $5.00 per $1,000 of the sale price of the property being transferred for properties valued at $250,000 or less; $6.80 per $1,000 for properties valued more than $250,000 and less than $999,999; $7.50 per $1,000 for properties valued at $1.0 million to $5.0 million; and $15.00 per $1,000 for properties valued over $5.0 million or more.

On November 2, 2010, voters approved Proposition N, which increased the tax rate for properties valued at $5.0 million or more from $15.00 per $1,000 to $20 per $1,000, and increased the tax rate for properties valued at $10.0 million or more from $15.00 per $1,000 to $25 per $1,000. Actual fiscal year 2010-11 revenue of $135.2 million is $51.5 million over budget, largely reflecting the rate increases approved in November 2010. The Six Month Report projected real property transfer tax revenues to be $43.7 million above budget and 20.2% above prior year actual revenues.

Table A-10 sets forth a history of real property transfer tax receipts for fiscal years 2007-08 through 2010-11, and budgeted receipts for fiscal year 2011-12.

[Remainder of Page Intentionally Left Blank.]

TABLE A-10

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts (000s)
Fiscal Years 2007-08 through 2011-12

Fiscal Year	Revenue	Change	
2007-08	$86,219	($57,757)	-40.1%
2008-09	48,957	(37,262)	-43.2%
2009-10	83,694	34,737	71.0%
2010-11	135,184	51,489	61.5%
2011-12 budgeted	118,824	(16,360)	-12.1%

Figures for FY 2007-08 through FY 2010-11 are audited actuals. Figure for FY 2011-12 is from the Original Budget.

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. The fiscal year 2011-12 Original Budget included $106.6 million in local sales tax revenue, an increase of $0.3 million, or 0.2% from actual fiscal year 2010-11 revenues. The Six Month Report projected local sales tax revenues to be $7.5 million above budget and 7.5% above prior year actual revenues.

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. Table A-11 reflects the City's actual sales and use tax receipts for fiscal years 2007-08 through 2010-11 and budgeted receipts for fiscal year 2011-12, 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.

[Remainder of Page Intentionally Left Blank.]

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Receipts
Fiscal Years 2007-08 through 2011-12
(000s)

Fiscal Year	Tax Rate	City Share	Revenue	Change	
2007-08	8.50%	0.75%	$111,410	$3,597	3.3%
2007-08 adj.*	8.50%	1.00%	148,729	5,276	3.7%
2008-09 **	9.50%	0.75%	101,662	(9,749)	-8.8%
2008-09 adj.*	9.50%	1.00%	137,415	(11,314)	-7.6%
2009-10	9.50%	0.75%	96,605	(5,057)	-5.0%
2009-10 adj.*	9.50%	1.00%	128,286	(9,129)	-6.6%
2010-11	9.50%	0.75%	106,302	9,698	10.0%
2010-11 adj.*	9.50%	1.00%	140,924	12,639	9.9%
2011-12 b*udgeted*	8.50%	0.75%	106,566	264	0.2%
2011-12 adj.* b*udgeted*	8.50%	1.00%	141,636	712	0.5%

*Adjusted figures represent the value of the entire 1.00% local sales tax, which was reduced by 0.25% beginning in fiscal year 2004-05 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.

**Effective July 1, 2011, the State General Fund rate decreased from 6% to 5%. The City share did not change.

Figures for FY 2007-08 through FY 2010-11 are audited actuals. Figures for FY 2011-12 are from the Original Budget.

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 service 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 service does not include Internet access, which is exempt from taxation under the Internet Tax Freedom Act. Budgeted revenue from the Utility Users Tax ("UUT") in the Original Budget for fiscal year 2011-12 is $95.6 million, $3.9 million or 4.3% above actual fiscal year 2010-11 revenue. Of the total $95.6 million, $43.2 million is related to energy, $49.8 million is related to telephone usage, and $2.6 million is related to water usage. The Six Month Report projected utility users tax revenues to be $5.7 million under budget and 2.0% below prior year actual revenues.

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. The tax does not apply to wireless telephone communications services. Effective July 1, 2011, ALT rates are $2.86 per month per individual line, $21.48 per month per trunk line and $386.63 per month per high capacity line. Rates may be increased annually by the increase in the consumer price index for the San Francisco area. The City budgeted $41.1 million in ALT revenue collections in the Original Budget for fiscal year 2011-12, an increase of $0.2 million or 0.4% over actual fiscal year 2010-11 revenues. The Six Month Report projected ALT revenues to be on budget. Year to date revenues through December are 2.3% above prior year actual revenues.

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. The City's budgeted General Fund revenue from the parking tax is

$72.0 million in the Original Budget for fiscal year 2011-12 which is $0.8 million or 1.1% less than actual fiscal year 2010-11 revenues, which came in higher than expected. The Six Month Report projected parking tax revenues to be $3.4 million above budget and 3.7% above prior year actual revenues.

INTERGOVERNMENTAL REVENUES

1991 Health and Welfare Realignment

In fiscal year 1991-92, the State transferred to counties the responsibility for determining service levels and administering most mental health, public health and some social service programs, thereby reducing the State's obligations. The State also increased its share of certain welfare costs formerly borne by counties. In order to meet these obligations, counties share in the proceeds of a 0.5% statewide sales tax and a portion of vehicle license fees ("VLF"). These sources are budgeted to provide $143.7 million to the General Fund in the Original Budget for fiscal year 2011-12, which constitutes a $0.5 million or 0.3% increase over actual fiscal year 2010-11 revenues. The Six Month Report projected these sources to be $3.7 million above budget and 2.9% above prior year actual revenues.

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. Budgeted revenue from this source is $69.1 million for fiscal year 2011-12, $0.7 million or 1% more than actual fiscal year 2010-11revenues. The Six Month Report projected public safety sales tax revenues to be $4.8 million above budget and 8.0% above prior year actual revenues.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, the City's Original Budget for fiscal year 2011-12 included for the General Fund $465.6 million in grants and subventions from the State and federal governments to fund public health, social services, and other programs, taking into account the $15.0 million allowance for unspecified funding reductions. This represents a $9.4 million (2.1%) increase from fiscal year 2010-11 revenues. The Six Month Report projected these other intergovernmental grants and subventions to be $46million below budget and 18% below prior year actual revenues, primarily due to a $46.9 million shortfall in social services and mental health subventions. This is largely offset by a $40.6 million surplus in Medi-cal reimbursements for costs incurred in constructing the new Laguna Honda Hospital.

Charges for Services

Charges for services are budgeted at $153.5 million for fiscal year 2011-12 in the General Fund, which is $7.5 million, or 5.1%, more than actual fiscal year 2010-11 revenues. This includes $36.2 million of general government service charges (including City planning fees), $22.2 million of public safety service charges (including boarding of prisoners and safety inspection fees), $12.1 million of recreation charges, $58.0 million of Medi-Cal, MediCare and health service charges, and $14.7 million of other miscellaneous service charges. The Six Month Report projected charges for services to be $2.0 million below budget and 5.5% above prior year actual revenues.

On July 14, 2009, the Board of Supervisors adopted an ordinance imposing a fee of $0.20 per pack of cigarettes sold in San Francisco. The ordinance was signed by the Mayor on July 21, 2009, and the fee it imposes became operative as of October 1, 2009. The ordinance provides that the fee revenues are to be used only to pay for the collection and removal of cigarette litter from San Francisco's sidewalks, gutters and public spaces; for public outreach and education to curb improper cigarette litter disposal; and for the costs of administering, collecting, and enforcing the fee. On December 18, 2009, Philip Morris USA and several cigarette retailers filed an action in San Francisco Superior Court, alleging that the fee is an unlawful special tax and is preempted by California statutes. On July 18, 2011, the San Francisco Superior Court granted the City's motion for summary judgment, which argued that the fee was a permissible regulatory fee.

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 upwards of 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 in fiscal year 2011-12 is $537.5 million. The Six Month Report projected that improved general revenues result in these baseline and mandated funding transfers to be increased by $15.8 million compared to budget.

General Fund Expenditures by Major Service Area

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

[Remainder of Page Intentionally Left Blank.]

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2008-09 through 2011-12
(000s)

Major Service Areas	**FY 2008-09 Original Budget**	**FY 2009-10 Original Budget**	**FY 2010-11 Original Budget**	**FY 2011-12 Original Budget**
Public Protection	$899,378	$955,519	$947,327	$998,237
Human Welfare & Neighborhood Development	654,162	642,810	655,026	672,834
Community Health	513,858	488,330	519,319	575,446
General Administration & Finance	182,139	177,892	169,526	199,011
Culture and Recreation	104,232	95,114	97,510	100,740
General City Responsibilities	78,524	104,476	103,128	110,725
Public Works, Transportation & Commerce	53,143	33,414	26,989	51,588
Total	$2,485,436	$2,497,555	$2,518,824	$2,708,581

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

Public Protection includes the Police Department, budgeted in fiscal year 2011-12 to receive $354.0 million of General Fund support, the Sheriff's Department, budgeted to receive $148.6 million of the General Fund support, and the Fire Department, budgeted to receive $204.9 million of General Fund support. 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 $234.5 million of General Fund support in the fiscal year 2011-12 Original Budget, and the Public Health Department is budgeted to receive $363.2 million in General Fund support for public health programs and the operation of San Francisco General Hospital and Laguna Honda Hospital.

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 is budgeted pursuant to a formula under the Charter to receive a $190.8 million General Fund transfer in the fiscal year 2011-12 Original Budget.

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.

[Remainder of Page Intentionally Left Blank.]

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO

Baselines & Set-Asides

Fiscal Year 2011-12

(Millions)

Baselines & Set-Asides	**FY 2011-12 Required Baseline**	**FY 2011-12 Adopted Budget**
Municipal Transportation Authority	$138.73	$138.73
Parking and Traffic Commission	52.02	52.02
Children's Services	103.20	107.69
Library Preservation	47.43	47.43
Public Education Baseline Services	6.01	6.01
Unified School District	28.51	28.51
First Five Commission	15.45	15.45
City Services Auditor	12.13	12.13
Human Services Homeless Care Fund	13.71	13.71
Property Tax Related Set-Asides		
Municipal Symphony	1.99	1.99
Children's Fund Set-Aside	42.68	42.68
Library Preservation Set-Aside	35.57	35.57
Open Space Set-Aside	35.57	35.57
Staffing and Service-Driven		
Police Minimum Staffing	met during course of budget year	
Fire Neighborhood Firehouse Funding	Requirement met	
Treatment on Demand	Requirement met	
Total Baseline Spending	**$532.98**	**$537.47**

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).

Reserves

The City's budget includes reserves that are available for appropriation to City departments by action of the Board of Supervisors. These include the General Reserve ($25.0 million), the Salaries and Benefit Reserve ($13.5 million), and the Litigation Reserve ($11.0 million), all in the fiscal year 2011-12 Original Budget. These are the fiscal year 2011-12 appropriations to the reserves and do not include carry-forward of prior year balances.

The Charter requires some set-asides of departmental expenditure savings in the form of a Citywide Budget Savings Incentive Reserve and a Recreation and Park Budget Savings Incentive Reserve.

See "Budgetary Reserves and Economic Stabilization and Limitations on Use of Selected Nonrecurring Revenues."

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries, wages, and benefits for City employees exceeds 50% of the City's total annual General Fund expenditures. In the fiscal year 2011-12 Original Budget, total personnel costs are budgeted at approximately $1.7 billion, compared to $1.6 billion in the fiscal year 2010-11 Original Budget. Across all funds, personnel costs are budgeted at $3.5 billion in fiscal year 2011-12, compared to $3.4 billion in the fiscal year 2010-11 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 fiscal year 2011-12 Original Budget includes 30,905 budgeted City positions. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union ("SEIU"), Local 1021; the International Federation of Professional and Technical Engineers (the "IFPTE"), Local 21; 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 (California Government Code Sections 3500-3511, the "Meyers-Milias-Brown Act") 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. In addition, in November 2010, the voters in the City approved Proposition G, which requires that disputes regarding the wages, hours and working conditions of transit operators be resolved through a final and binding interest arbitration proceeding. 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 are not subject to arbitration. However, disciplinary actions are generally subject to grievance arbitration, with the exception of police and fire employees.

Since the spring of 2008, the City has engaged labor organizations in negotiations to help address the City's respective projected budget shortfall for fiscal years 2008-09, 2009-10, 2010-11 and 2011-12. In fiscal years 2008-09 and 2009-10, labor organizations made economic concessions that ranged from 1.5% to 7% of payroll.

In May 2010, the City negotiated two-year agreements (for fiscal years 2010-11 and 2011-12) with its labor unions. These economic concessions were in the form of unpaid furlough days, wage reductions or deferral of wage increases. In general, the concessions range from 4.0% to 4.62% of payroll in each fiscal year. As part of these negotiations, the parties agreed to two options to achieve health care savings, beginning in fiscal year 2011-12: all employees who enroll in the City's preferred provider organization (PPO) dental plan will contribute monthly toward the premium cost or all medically single/employee-only employees enrolled in the City Plan will pay the difference between the second-highest cost plan and the cost of the City Plan's medically single/employee-only category. The majority of labor organizations agreed to contribute toward the dental PPO while a few labor organizations will contribute toward the City Plan option. Four labor groups are excluded from those participating in the health care savings: Nurses, Supervising Nurses, Interns & Residents and Deputy Sheriffs.

The City's labor agreement with the Deputy Sheriffs' Association, whose term is July 1, 2009 through June 30, 2012 already contains economic concessions for fiscal year 2010-11 in the form of one unpaid legal holiday and suspending employer-paid meals, uniform allowance and longevity pay during the term of the agreement.

In June 2011, the City negotiated contract extensions with the Police Officers' Association and Firefighters union that expire on June 30, 2015. Represented employees agreed to defer a portion of scheduled wage increases and to assume additional pension contributions. In total, the concessions from these labor unions will each save 5% of payroll over the life of the agreements.

In the Spring of 2012, the City will negotiate successor agreements with 27 of its labor unions that have contracts expiring on June 30, 2012. The City intends to seek concessions to address fiscal year 2012-13 projected budget shortfalls.

On February 1, 2012, the City became the successor agency to the dissolved San Francisco Redevelopment Agency. As a successor agency, the City acquired approximately 100 former Redevelopment Agency employees, who are covered by various Memoranda of Agreement which expired on March 31, 2012. See "City Budget – San Francisco Redevelopment Agency Dissolution" above.

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. The MTA and the union representing the transit operators (TWU, Local 250-A) agreed to a three-year successor agreement that expires on June 30, 2014. The concessions are valued at $41.1 million dollars over the life of the agreement. Table A-14 shows the membership of each operating employee bargaining unit and the date the current labor contract expires.

[Remainder of Page Intentionally Left Blank.]

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of July 1, 2011

Organization	Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	399	June 30, 2012
Bricklayers, Local 3/Hod Carriers, Local 36	20	June 30, 2012
Building Inspectors Association	70	June 30, 2012
Carpenters, Local 22	107	June 30, 2012
Carpet, Linoleum & Soft Tile	2	June 30, 2012
CIR (Interns & Residents)	230	June 30, 2014
Cement Masons, Local 580	32	June 30, 2012
Deputy Sheriffs Association	850	June 30, 2012
District Attorney Investigators Association	40	June 30, 2012
Electrical Workers, Local 6	844	June 30, 2012
Glaziers, Local 718	12	June 30, 2012
International Alliance of Theatrical Stage Employees, Local 16	15	June 30, 2012
Ironworkers, Local 377	17	June 30, 2012
Laborers International Union, Local 261	1,001	June 30, 2012
Municipal Attorneys' Association	429	June 30, 2012
Municipal Executives Association	1,050	June 30, 2012
MEA - Police Management	2	June 30, 2015
MEA - Fire Management	9	June 30, 2015
Operating Engineers, Local 3	58	June 30, 2012
Painters, Local 1176	120	June 30, 2012
Pile Drivers, Local 34	18	June 30, 2012
Plumbers, Local 38	343	June 30, 2012
Probation Officers Association	145	June 30, 2012
Professional & Technical Engineers, Local 21	4,604	June 30, 2012
Roofers, Local 40	11	June 30, 2012
S.F. Institutional Police Officers Association	3	June 30, 2012
S.F. Firefighters, Local 798	1,729	June 30, 2015
S.F. Police Officers Association	2,340	June 30, 2015
SEIU, Local 1021	10,900	June 30, 2012
SEIU, Local 1021 Staff & Per Diem Nurses	1,492	June 30, 2012
SEIU, Local 1021 H-1 Rescue Paramedics	12	June 30, 2013
Sheet Metal Workers, Local 104	47	June 30, 2012
Stationary Engineers, Local 39	670	June 30, 2012
Supervising Probation Officers, Operating Engineers, Local 3	21	June 30, 2012
Teamsters, Local 853	159	June 30, 2012
Teamsters, Local 856 (Multi-Unit)	102	June 30, 2012
Teamsters, Local 856 (Supervising Nurses)	122	June 30, 2012
TWU, Local 200 (SEAM multi-unit & claims)	329	June 30, 2012
TWU, Local 250-A Auto Service Workers	205	June 30, 2012
TWU-250-A Miscellaneous	93	June 30, 2012
TWU-250-A Transit Operators	1,960	June 30, 2014
Union of American Physicians & Dentists	187	June 30, 2012
Unrepresented Employees	117	June 30, 2012
Total	**30,913** [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 Employees' Retirement System ("SFERS" or "Retirement System")

History and Administration

SFERS is charged with administering both a defined-benefit pension plan (the "Fund") and an individual account deferred compensation plan ("SFDCP" or "457 Plan"). These two plans are separate and distinct legal entities, with trust funds independent of each other. The Fund was initially established November 4, 1924 and was constituted in its current form by the 1932 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.

To aid in the administration of the Retirement System, the Retirement Board appoints an Executive Director and an Actuary. The Executive Director serves as chief executive officer, with responsibility extending to all divisions of the Retirement System including Administration, Investments, Member Services, Accounting, Information Technology, Communications, and Deferred Compensation. The Actuary's responsibilities include the production of data and a summary of plan provisions for the independent consulting actuary retained by the Retirement Board to produce a valuation report and other analyses as described below. The independent consulting actuary is currently Cheiron, Inc., a nationally recognized firm selected by the Retirement Board pursuant to a competitive process. The 457 Plan is funded solely by its members on a voluntary basis and is unrelated to the City's funding obligation to the defined benefit plan. The 457 Plan bears responsibility for its own costs. The Actuary and consulting actuarial firm have no duties or responsibilities to the 457 Plan.

In 2010, the Retirement System filed an application with the Internal Revenue Service ("IRS") for a Determination Letter. 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 Retirement System can not predict when the IRS will take action on its application.

Membership

The Retirement System estimates that the total active membership of the Fund as of June 30, 2011 (the date of most recent valuation report) was 33,475, compared to 33,715 members a year earlier. Active membership includes 4,499 vested members and 1,021 reciprocal members. Vested members are individuals who (i) have separated from City service, (ii) have worked for the City for five or more years, and (iii) have elected to receive a deferred vested pension in the future. 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. The total new enrollees in the Fund were 1,599 in fiscal year 2009-10 and 1,099 in fiscal year 2010-11. Retirement allowances are paid to approximately 24,000 retired members and beneficiaries monthly. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors. The Fund 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. At present, approximately 240 police officers are currently enrolled in the program and all will retire over the next three fiscal years.

Table A-15 shows total Retirement System participation for fiscal years 2006-07 through 2010-11.

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO
Employees' Retirement System
Fiscal Years 2006 - 07 through 2010 - 11

Fiscal Year	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2006-07	30,190	3,096	774	34,060	21,116	1.613
2007-08	30,650	3,877	869	35,396	21,514	1.645
2008-09	29,975	4,096	890	34,961	22,294	1.568
2009-10	28,222	4,515	978	33,715	23,500	1.435
2010-11	27,955	4,499	1,021	33,475	24,292	1.378

Sources: SFERS' Actuarial Valuation reports as of July 1, 2011, July 1, 2010, July 1, 2009, July 1, 2008, and July 1, 2007,

Funding Practices

Actuarial valuation of the Fund is prepared annually by the Fund's consulting actuarial firm and adopted by the Retirement Board. Before the valuation is conducted, the consulting actuarial firm recommends three long-term economic assumptions based on the experience of the Fund. These economic assumptions include a long-term investment earnings assumption, a long-term wage/inflation assumption and a long-term consumer price index assumption.

At its December 2011 meeting, after review of the analysis and recommendation prepared by the consulting actuarial firm, the Retirement Board voted to phase in reductions to the Fund's long-term investment earnings assumption, long-term wage/inflation assumption and long-term consumer price index assumption over a three-year period as follows: long-term investment earnings assumption from 7.75% to 7.50% (FY2011-2012 to 7.66%; FY2012-2013 to 7.58%; FY2013-2104 to 7.50%); long-term wage inflation assumption from 4.00% to 3.75% (FY2011-2012 to 3.91%; FY2012-2013 to 3.83%; FY2013-2014 to 3.75%); and long-term consumer price index assumption from 3.50% to 3.25% (FY2011-2012 to 3.41%; FY2012-2013 to 3.33%; FY2013-2014 to 3.25%). These economic assumptions together with demographic assumptions based on periodic demographic studies are utilized to prepare the actuarial valuation of the Fund each year. Upon receipt of the consulting actuarial firm's valuation report, Retirement System staff provides a recommendation to the Retirement Board for their acceptance of the consulting actuary's valuation report. In connection with such acceptance, the Retirement Board acts to set the annual employer contribution rates required by the Retirement System as detailed in the report.

The consulting actuary and the Retirement Board determine the actuarially required contribution amounts using three related calculations:

First, the normal cost is established for the Fund. The normal cost of the Fund represents the portion of the actuarial present value of benefits that SFERS will be expected to fund that is attributable to a current year's employment. The Fund uses the entry age normal cost method, which is an actuarial method of calculating the anticipated cost of pension liabilities, designed to fund promised benefits over the average future life of the Retirement System members.

Second, the contribution calculation takes account of the amortization of a portion of the amount by which the actuarial value of Fund liabilities exceeds the actuarial value of Fund assets, such amount being known as an "unfunded accrued actuarial liability" or "UAAL." If the actuarial value of assets exceeds the actuarial value of liabilities, the contribution amount is adjusted to reflect this excess by decreasing it in an amount equal to the excess of actuarial assets over actuarial liabilities, divided by the present value of projected salaries for the next 15 years. Such a situation is known colloquially as a "negative UAAL."

The UAAL is the difference between estimated liabilities and the value of smoothed plan assets and can be thought of as a snapshot of the funding of benefits as of the valuation date. There are a number of assumptions and calculation methods that bear on each side of this asset-liability comparison. On the asset side, the actuarial value of Fund assets is calculated using a five-year smoothing technique, so that gains or losses in asset value are recognized over that longer period rather than in the immediate time period such gain or loss is identified. As for calculating the pension benefit liability, certain assumptions must be made about future costs of pension benefits to generate an overall liability amount. If the Fund's results are better or worse than the estimated UAAL, the result is called an actuarial gain or loss, respectively, and under the Retirement Board's Actuarial Methods Policy any such gain or loss is amortized over a 15-year period. Similarly, if the estimated liabilities change due to changes in the aforementioned assumptions, the effect of such changes is also amortized over a 15-year period.

Third, after calculating the normal cost and the adjustment for UAAL, the consulting actuary amortizes supplemental costs for the various member benefit plans. Supplemental costs are additional costs resulting from the past service component of SFERS benefit increases. In other words, when the Charter is amended to extend additional benefits to some or all beneficiaries of the Retirement System, the Retirement System's payment liability is increased by the amount of the new benefit earned in connection with the service time already accrued by the then-current beneficiaries. These supplemental costs for each beneficiary are amortized over no more than 20 years.

The consulting actuary combines the three calculations described above to arrive at a total contribution requirement for funding the Fund in that fiscal year. This total contribution amount is satisfied from a combination of employer and employee contributions. Employee contributions are mandated by the Charter. Sources of payment may be the subject of collective bargaining agreements with each union or bargaining unit. The employer contribution is established by Retirement Board action each year and is expressed as a percentage of salary applied to all wages covered under the Retirement System.

Prospective purchasers of the City's bonds should carefully review and assess the assumptions regarding the performance of the Fund. 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.

Recent Voter Approved Changes to the Retirement Plan

The levels of SFERS retirement 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. For example, in November 2011, the voters of San Francisco approved Proposition C, which

a) creates new SFERS retirement plans for Miscellaneous and Safety employees commencing employment on or after January 7, 2010, which raise the minimum service retirement age for Miscellaneous members from 50 to 53; limits 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; calculates final compensation using highest three-year average compensation; and decreases vesting allowances for Miscellaneous members by lowering the City's funding for a portion of the vesting allowance from 100% to 50%;

b) provides that employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;

c) effective July 1, 2012, provides for an increase or decrease of employee contributions to SFERS for certain SFERS members based on the City's required contribution rate for that year. (For example, Miscellaneous employees who earn less than $50,000 per year would pay the minimum employee contribution rate; Miscellaneous employees who earn between $50,000 and $100,000 per year would pay fluctuating contributions in the range of +4% to -4% based on the employer contribution rate for that year; and Miscellaneous employees who earn $100,000 or more per year would pay fluctuating contributions in the range of +5% to -5% based on the employer contribution rate for that year. Similar fluctuating employee contributions are required from Safety employees also); and

d) provides that, effective July 1, 2012, no Supplemental COLA will 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 are not permanent adjustments to retirement benefits - in any year when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire. The impact of Proposition C will be incorporated in the actuarial valuations beginning with the July 1, 2012 Actuarial Valuation report.

Since 2008, the voters of San Francisco have approved three other retirement plan amendments:

- Proposition D in June 2010, which changes the SFERS benefit formula for City safety and miscellaneous employees hired on or after July 1, 2010 from highest one-year average compensation to highest two-year average compensation, increases the employee contribution rate for City safety and CalPERS members hired on or after July 1, 2010 from 7.5% of covered pay to 9.0%, and 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.

- The enactment of DROP, a Deferred Retirement Option Plan available to certain police members effective July 1, 2008, authorized by the February 2008 election by initiative proposition. In June 2011, the Board of Supervisors voted to allow the program to sunset on June 30, 2011

- Proposition B in June 2008 which increases the years of service required for City employees hired after January 10, 2009 to qualify for employer-funded retiree health benefits, establishes a separate Retiree Health Care Trust Fund to fund retiree health costs, and increases retirement benefits and retirement cost-of-living adjustments for "miscellaneous" employees (i.e., those covered under Charter Section A8.409).

SFERS Recent Funding Performance and City Employer Contribution History

From fiscal year 1996-97 through fiscal year 2003-04, the City's contribution to the Fund was zero as determined by the consulting actuary of the Retirement System and adopted by the Retirement Board. The zero percent employer funding requirements for this period was due primarily to higher-than-projected investment earnings and lower-than-projected wage increases. Beginning in fiscal year 2004-05, the Retirement Board reinstated required employer contributions based on the funding requirements as determined by the consulting actuary in the manner described above in "Funding Practices." In fiscal year 2010-11, total City employer contributions to the Retirement System were $288 million, which was 13.56% of that portion of members' earned wages that are includable for calculation and contribution purposes ("Pensionable Salary"). This amount includes $129 million from the City General Fund. For the fiscal year 2011-12 total City employer contributions to the Retirement System are budgeted at $375 million, which is 18.09% of Pensionable Salary. This amount includes $185 million from the General Fund. The latest actuarial report provides that future employer contribution rates are projected to increase to 27% for FY2014-2015 as the Fund recognizes the 2011 economic assumption changes and the losses incurred by the Fund in fiscal years 2007-2008 and 2008-2009.

Table A-16 shows Fund contributions for fiscal years 2006-07 through 2010-11. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the value of assets held in trust adjusted according to the Fund's actuarial methods as summarized above. "Pension Benefit Obligation" reflects the accrued actuarial liability of the Fund. The "Market Funded" column is determined by dividing the market value of assets by the Pension Benefit Obligations. The "Actuarial Funded" column is determined by dividing the actuarial value of assets by the Pension Benefit Obligations. "Employer and Employee Contributions" reflects the total of mandated employee contributions and employer Actuarial Retirement Contributions received by the Retirement System for fiscal years 2006-07 through 2010-11.

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO
Employee Retirement System (000s)
Fiscal Years 2006-07 through 2010-11

Fiscal Year	Market Value of Assets	Actuarial Value of Assets	Pension Benefit Obligation	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contribution	Employer Contribution Rates[1]
2006-07	$16,952,044	$14,929,287	$13,541,388	125.1	110.0	$308,348	6.24%
2007-08	15,832,521	15,941,390	15,358,824	103.0	103.8	319,183	5.91%
2008-09	11,886,729	16,004,730	16,498,649	72.3	97.0	312,715	4.99%
2009-10	13,136,786	16,069,100	17,643,400	74.5	91.1	413,562	9.49%
2010-11	15,598,839	16,313,100	18,598,700	83.9	87.7	490,578	13.56%

[1] Employer contribution rates for fiscal years 2011-2012 and 2012-2013 are 18.09% and 20.71%, respectively.

Sources: SFERS' audited financial statements and supplemental schedules June 30, 2011, 2010, 2009, 2008, and 2007.

SFERS' Actuarial Valuation report as of July 1, 2011, July 1, 2010, July 1, 2009, July 1, 2008, and July 1, 2007.

Table A-16 reflects that the Percent Funded ratio (that is, the Actuarial Value of Assets divided by the Pension Benefit Obligation) decreased to 87.7%, corresponding to an unfunded actuarial liability (UAAL) of approximately $2.3 billion. The UAAL is the difference between the Actuarial Value of Assets and the total Pension Benefit Obligation. This means that as of June 30, 2011, for every dollar of pension benefits the City is obligated to pay, it had approximately $0.88 in assets available for payment.

Asset Management and Actuarial Valuation

The assets of 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 68 of the CAFR, attached as Appendix B to this Official Statement, for a breakdown of the asset allocation as of June 30, 2011. The Fund does not hold hedge funds. 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, 30 Van Ness Avenue, Suite 3000, San Francisco, California 94102, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.sfers.org. The information available on the Retirement System's website is not incorporated herein by reference.

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

As shown in Table A-16, the market value of the Retirement System was approximately $15.6 billion as of June 30, 2011, and approximately $13.1 billion as of June 30, 2010. The $2.46 billion difference reflects, among other things, participant and employer contributions, benefit payments and an increase on a time-weighted basis of approximately 22% in the market value of assets held by the Retirement System.

As of January 30, 2012, SFERS estimated that the market value of its assets had decreased to approximately $15.1 billion. The estimated market value represents, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. SFERS 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 not subject to audit (other than at year end).

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, including a pension fund and the value of the Retirement System investment portfolio changes periodically.

A decline in the actuarial value of assets over time, without a commensurate decline in the actuarial value of 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 $18.1 million in fiscal year 2009-10 and $17.6 million in fiscal year 2010-11. For fiscal year 2011-12, the City prepaid its annual CalPERS obligation at a level of $23.4 million. Further discussion of the City's CalPERS plan obligations are summarized in Note 9 to the City's CAFR, as of June 30, 2011, 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") 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 SFUSD, SFCCD, and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical benefits for City Beneficiaries. With the transition of the San Francisco Redevelopment Agency employees to the city budget, it is currently planned that benefits for these employees will continue to be provided by CalPERS.

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; and four members of the Health Service System, active or retired, elected from among their members. (See Proposition C section below for new Board composition and voting changes).

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 by writing to the San Francisco Health Service System, 1145 Market Street, Second Floor, San Francisco, California 94103, or by calling (415) 554-1727. Audited annual financial statements for several years are also posted in the Health Service System website: www.myhss.org/finance. 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

Contributions by the participating employers and HSS Beneficiaries to HSS Medical Plans are determined according to applicable provisions of the Charter. To the extent annual medical premiums exceed the contributions made by employers and HSS Beneficiaries as required by the Charter, such excess must be paid by HSS Beneficiaries or, if elected by the Health Service Board, from net assets held in the Health Service Trust Fund.

All City Beneficiaries receive a base contribution from the City toward the monthly cost of their medical benefits calculated pursuant to Charter Section A8.423. Under that section, in January of each year, the Health Service System conducts a survey of the 10 most populous counties in California (other than the City) 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 addition to the average contribution described above, the City makes additional medical and other benefit contributions on behalf of City Beneficiaries who are active employees as negotiated and agreed to by such employees' applicable collective bargaining units. City bargaining units have negotiated additional City contributions for enhanced single medical coverage, dependent medical coverage and for additional benefits such as dental care for the members of such bargaining units. These contribution amounts are also paid by the City into 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 include 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 described in the second paragraph of this subsection, 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 retired city participant and the first dependent.

The Health Service System recently performed an audit of pre-age 65 Medicare eligible retirees and implemented coordination of benefits for 603 members resulting in a savings of over $4.3 million annually or $29 million over the pre-65 life of these members. A process for identification of all Medicare eligible members has been implemented.

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 with only certain eligibility and other changes taking place in 2010. Other provisions of the Health Care Reform Law will be implemented for the most part in future years, including, among other things, 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. Several states have challenged the constitutionality of the Health Care Reform Law. The U.S. Supreme Court will hear arguments in March 2012 on the constitutionality of the individual mandate, state Medicaid expansion requirements, and on whether the rest of the law can survive without the individual mandate.

As of January 2, 2011, the Health Service System deleted eligibility for non-prescription drugs reimbursement through FSAs. As of July 1, 2011, the Health Service System eliminated copayments for wellness visits, eliminated life-time caps on coverage, and expanded eligibility to cover member dependent children up to 26 years of age per requirements in the Health Care Reform Law. Before July 1, 2011, dependent children up to 25 years of age were covered. No additional changes are required at this time.

Local Elections: Proposition C

On November 8, 2011, the San Francisco voters approved Proposition C, a charter amendment that will change 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 1% of compensation toward their retiree health care, with matching contribution by the City. For employees or elected officials who left the City workforce before June 30, 2001, and retire after January 6, 2012, Proposition C requires that the City contributions toward retiree health benefits remain at the same levels they were when the employee left the City workforce. Proposition C changes the Health Service System and Health Service Board including the following: 1) replace one elected member of the HSB with a member nominated by the City Controller and approved by HSB; 2) change HSB's voting requirement for approving member health plans from two-third to a simple majority; 3) remove the requirement for a plan permitting the member to choose any licensed medical provider; and 4) allow HSB to spend money on ways to limit health care costs. Factors that could cause additional medical costs or savings include: 1) Projected City savings might be reduced if future labor negotiations or arbitration awards result in any salary increases to offset higher employee retirement contributions. 2) To the extent that changes to pension formulas in this measure cause employees to delay or speed up retirement dates, this could provide additional City savings or costs related to retiree pension and health insurance subsidies. 3) To the extent that changes in the composition of the Health Service Board result in changes to approved health benefit programs, costs could be higher or lower.

Employer Contributions for Health Service System Benefits

For fiscal year 2010-11, the Health Service System received approximately \$583.3 million from participating employers for Health Service System benefit costs. Of this total, the City contributed approximately \$486.1 million; approximately \$145.0 million of this \$486.1 million amount was for health care benefits for approximately 25,400 retired City employees and their eligible dependents and approximately \$341.1 million was for benefits for approximately 59,900 active City employees and their eligible dependents. For fiscal year 2011-12, the Health Service System has budgeted to receive approximately \$615 million from participating employers for Health Service System benefit costs. For the one-time six month plan year, from July 1, 2012 to December 31, 2012, the Health Service System has budgeted to receive an aggregate amount of \$241.8 million from the City for active and retired healthcare costs.

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 three percent of salary into a new retiree health trust fund.

GASB 45 Reporting Requirements. The City was required to begin reporting the liability and related information for unfunded post-retirement medical and other benefits ("OPEBs") in the City's financial statements for the fiscal year ending June 30, 2008. This reporting requirement is defined under Governmental Accounting Standards Board Statement 45 ("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. The City has not established an OPEB trust fund.

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 December 13, 2010 report, Mercer Consulting estimated that the City's unfunded liability had increased 4% on an annualized, non-inflation adjusted basis to approximately $4.36 billion (as of July 1, 2008). This estimate assumed a 4.25% return on investments and had an ARC for fiscal year 2009-10 of $369 million and an ARC for fiscal year 2010-11 of approximately $384 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, 2008 actuarial valuation. The covered payroll (annual payroll of active employees covered by the plan) was $2.3 billion and the ratio of the unfunded actuarial accrued liability to the covered payroll was 191.3%.

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 2010-11 annual OPEB cost was $392.2 million, of which the City funded $145.8 million which caused, among other factors, the City's long-term liability to increase by $246.4 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 is recorded as an increase or decrease in the net OPEB obligation. See Note 9(c) and (d) to the City's CAFR, as of June 30, 2011, included as Appendix B to this Official Statement. Three-year trend information is as follows (dollars in thousands):

TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
Three-year Trend
(000s)

Fiscal Year Ended	Annual OPEB	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$430,924	27.8%	$605,397
6/30/2010	374,214	33.9%	852,782
6/30/2011	392,151	37.2%	1,099,177

The December 2010 Mercer report estimates that the total long-term actuarial liability will reach $9.7 billion by 2033. The calculations in the Mercer 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, 2011, the fund balance in the Retiree Health Care Trust Fund established by Proposition B stood at $8.5 million.

Total City Employee Benefits Costs

The City continued to budget only for current-year benefits expenditures, without any set-aside for accrued or future liabilities, in the fiscal year 2010-11 Original Budget. To begin to address the issue of accrued liabilities for future retiree health costs, the City created a new Post Employment Benefits Fund in fiscal year 2007-08. The actual fund balance as of January 31, 2012 is approximately $13.3 million. The costs were funded in part by employees and in part by the City. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-18 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-18 below provides a summary of the City's employee benefit costs from fiscal years 2007-08 to 2011-12.

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2007-08 through 2011-12
(FY 2007-08 through FY 2010-11 figures are audited actuals. FY 2011-12 is Original Budget.)
(000s)

	FY 2007-08 actual	FY 2008-09 actual	FY 2009-10 actual	FY 2010-11 actual	FY 2011-12 budget
SFERS and PERS Retirement Contributions	$206,563	$197,614	$294,088	$368,185	$416,591
Social Security & Medicare	143,656	147,576	145,969	140,828	142,204
Health - Medical + Dental, active employees [1]	281,894	304,714	313,862	326,666	328,057
Health - Retiree Medical [1]	110,634	116,894	126,829	145,756	160,598
Other Benefits [2]	21,007	18,857	17,797	24,358	20,182
Total Benefit Costs	**$763,754**	**$785,656**	**$898,545**	**$1,005,793**	**$1,067,631**

[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, and Article 6.0. 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 local 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 October 2011. The Investment Policy is also posted at the Treasurer's website: www.sftreasurer.org. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of February 29, 2012, the City's surplus investment fund consisted of the investments classified in Table A-19, and had the investment maturity distribution presented in Table A-20.

TABLE A-19

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of February 29, 2012

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$ 450,000,000	$ 454,691,185	$ 461,490,000
Federal Agencies	2,974,865,000	2,983,358,393	3,021,770,734
Temporary Liquidity Guarantee Program	546,000,000	553,992,550	548,937,500
State and Local Obligations	32,500,000	32,865,750	32,654,875
Public Time Deposits	350,000	350,000	350,000
Negotiable Certificates of Deposit	362,176,000	362,208,616	361,252,397
Banker's Acceptances	-	-	-
Commercial Paper	-	-	-
Medium Term Notes	129,552,000	132,890,091	131,238,541
Money Market Funds	-	-	-
Total	$ 4,495,443,000	$ 4,520,356,586	$ 4,557,694,048

February 2012 Earned Income Yield: 1.29%

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

TABLE A-20

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of February 29, 2012

Maturity in Months			Par Value	Percentage
0	to	1	$ 271,050,000	6.03%
1	to	2	10,000,000	0.22%
2	to	3	153,100,000	3.41%
3	to	4	237,176,000	5.28%
4	to	5	100,000,000	2.22%
5	to	6	78,387,000	1.74%
6	to	12	689,815,000	15.34%
12	to	24	427,000,000	9.50%
24	to	36	960,020,000	21.36%
36	to	48	736,080,000	16.37%
48	to	60	832,815,000	18.53%
			$ 4,495,443,000	100.00%

Weighted Average Maturity: 841 Days

Sources: Office of the Treasurer & 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, 2011 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2011," 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 City Administrator, in conjunction with a capital planning committee composed of other City finance and capital project officials (the "Capital Planning Committee"), is directed to develop and submit an annual ten-year capital plan (the "Capital Plan") each fiscal year for approval by the Board of Supervisors. The Capital Plan provides an assessment of the City's infrastructure needs over such period, investments required to meet the needs identified and 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 annually in advance of the budget process. The Capital Planning Committee 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 and adopted by the Board of Supervisors and the Mayor on or before each May 1. The fiscal year 2012-2021 Capital Plan (the "Plan") was approved by the Capital Planning Committee on March 7, 2011 and adopted by the Board of Supervisors on March 29, 2011. The Plan contains $24.8 billion in capital investments over the coming decade for all City departments, including $4.9 billion in projects for General Fund-supported departments. The Plan proposes $77.0 million for General Fund pay-as-you-go capital projects in fiscal year 2011-12. The amount for General Fund pay-as-you-go capital projects is assumed to grow to $123 million in fiscal year 2020-21. The Plan is not incorporated by reference herein but may be found at www.sfgov.org/cpp.

Capital projects for General Fund-supported departments included in the Plan consist of upgrades to public health, police, fire and park facilities; replacement of the Hall of Justice; seismic upgrades the Veteran's Memorial Building, repairs to the high-pressure fire hydrant system; repaving of streets; and removal of barriers to accessibility, among other capital projects. Approximately $2.4 billion of the capital projects of General Fund supported departments are financed with general obligation bonds and other long-term obligations. The balance is expected to be funded by federal and State funds, General Fund, and other sources.

In addition to the City General Fund-supported capital spending, the Plan recommends $11.4 billion in enterprise fund department projects to continue major transit, water and wastewater projects such as the Central Subway, Wastewater Master Plan and the Water System Improvement Program (WSIP), among others. Approximately $5.53 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.

Failure to make the capital improvements and repairs recommended in the 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; and (v) increasing future repair and replacement costs.

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 April 2, 2012, the City had approximately $1.65 billion aggregate principal amount of general obligation bonds outstanding.

[Remainder of Page Intentionally Left Blank.]

Table A-21 shows the annual amount of debt service payable on the City's outstanding general obligation bonds.

TABLE A-21

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of April 2, 2012 [1] [2]

Fiscal Year	Principal	Interest	Annual Debt Service
2012	$148,411,454	$35,872,344	$184,283,798
2013	97,386,718	70,901,499	168,288,217
2014	93,474,486	66,317,804	159,792,290
2015	88,089,884	61,952,431	150,042,315
2016	92,163,046	57,824,244	149,987,290
2017	83,494,110	53,560,005	137,054,115
2018	83,598,225	49,571,782	133,170,007
2019	81,420,545	45,787,862	127,208,407
2020	78,161,232	41,971,275	120,132,507
2021	72,680,457	38,281,213	110,961,670
2022	77,903,401	35,063,624	112,967,025
2023	79,185,251	31,532,701	110,717,951
2024	79,286,206	27,757,200	107,043,406
2025	77,476,476	23,897,832	101,374,307
2026	70,266,279	20,131,552	90,397,831
2027	73,165,840	16,704,223	89,870,063
2028	75,704,035	13,124,634	88,828,669
2029	73,211,751	9,462,455	82,674,206
2030	66,680,095	5,903,229	72,583,324
2031	23,561,950	2,634,577	26,196,527
2032	24,180,000	1,711,275	25,891,275
2033	4,835,000	762,000	5,597,000
2034	5,075,000	520,250	5,595,250
2035	5,330,000	266,500	5,596,500
TOTAL [3]	$1,654,741,441	$711,512,512	$2,366,253,953

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

General Obligation Bonds Authorized but Unissued

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.

In November 2008, voters approved Proposition A, which authorized the issuance of up to $887.4 million in general obligation bonds to provide funds to finance the building or rebuilding and improving the earthquake safety of the San Francisco General Hospital and Trauma Center. The City issued the first series of bonds under Proposition A in the amount of approximately $131.7 million in March 2009. The City issued the second series in the amount of approximately $294.6 million in March 2010.

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.

In November 2011, voters approved Proposition B, which authorized the issuance of up to $248 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.

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 $1,355,991,219 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.

Table A-22 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 April 2, 2012, the City had authorized and unissued general obligation bond authority of approximately $1.08 billion.

[Remainder of Page Intentionally Left Blank.]

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds (as of April 2, 2012)

Description of Issue (Date of Authorization)	Series	Issued	Outstanding [1]	Authorized & Unissued
Seismic Safety Loan Program (11/3/92)	2007A	$30,315,450	$28,426,441	$284,684,550 [2]
Steinhart Acquarium Improvement (11/7/95)	2005F	29,245,000	1,175,000	
Zoo Facilities Bonds (6/3/97)	2005H	7,505,000	300,000	
Laguna Honda Hospital (11/2/99)	2005A	110,000,000	7,200,000	
	2005I	69,000,000	2,125,000	
California Academy of Sciences Improvement (3/7/00)	2005E	79,370,000	3,185,000	
Branch Library Facilities Improvement (11/7/00)	2005G	34,000,000	1,365,000	
	2008A	31,065,000	27,880,000	
Clean & Safe Neighborhood Parks (2/5/08)	2008B	42,520,000	38,370,000	
	2010B	24,785,000	17,870,000	
	2010D	35,645,000	35,645,000	
	2012B	73,355,000	73,355,000	8,695,000
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	112,395,000	
	2010A	120,890,000	87,145,000	
	2010C	173,805,000	173,805,000	461,055,000
Earthquake Safety and Emergency Response Bond (6/8/10)	2010E	79,520,000	77,845,000	
	2012A	183,330,000	183,330,000	149,450,000
Road Repaving & Street Safety (2011)	2012C	74,295,000	74,295,000	173,705,000
SUB TOTALS		**$1,330,295,450**	**$945,711,441**	**$1,077,589,550**
General Obligation Refunding Bonds:				
Series 2002-R1 issued 4/23/02		118,945,000	11,510,000	
Series 2006-R1 issued 10/31/06		90,690,000	69,800,000	
Series 2006-R2 issued 12/18/06		66,565,000	39,125,000	
Series 2008-R1 issued 5/29/08		232,075,000	100,025,000	
Series 2008-R2 issued 5/29/08		39,320,000	30,965,000	
Series 2008-R3 issued 7/30/08		118,130,000	118,130,000	
Series 2011-R1 issued 11/9/2011		339,475,000	339,475,000	
SUB TOTALS		**1,005,200,000**	**709,030,000**	
TOTALS		**$2,335,495,450**	**$1,654,741,441**	**$1,077,589,550**

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

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

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

[Remainder of Page Intentionally Left Blank.]

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-23 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 April 2, 2012. Note that the annual payment obligations reflected in Table A-23 include the fully accreted value of any capital appreciation obligations that will accrue as of the final payment dates.

[Remainder of Page Intentionally Left Blank.]

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO

Lease Revenue Bonds and Certificates of Participation

As of April 2, 2012

Fiscal Year	Principal	Interest	Annual Payment Obligation
2012	$3,725,000	$7,990,123	$11,715,123
2013	43,566,157	59,304,034	102,870,191
2014	48,721,550	57,902,733	106,624,283
2015	52,985,751	51,362,490	104,348,241
2016	52,620,000	43,961,883	96,581,883
2017	50,505,000	41,724,042	92,229,042
2018	49,555,000	39,424,598	88,979,598
2019	47,850,000	37,238,964	85,088,964
2020	39,900,000	35,270,952	75,170,952
2021	40,850,000	33,476,148	74,326,148
2022	41,865,000	31,678,062	73,543,062
2023	43,025,000	29,819,246	72,844,246
2024	45,150,000	27,888,606	73,038,606
2025	44,680,000	25,824,259	70,504,259
2026	44,320,000	23,811,171	68,131,171
2027	46,420,000	21,711,286	68,131,286
2028	46,815,000	19,501,943	66,316,943
2029	48,975,000	17,280,853	66,255,853
2030	48,405,000	14,982,336	63,387,336
2031	39,600,000	12,769,453	52,369,453
2032	28,725,000	10,745,023	39,470,023
2033	27,645,000	9,301,268	36,946,268
2034	28,980,000	7,803,955	36,783,955
2035	16,305,000	6,467,599	22,772,599
2036	14,395,000	5,567,607	19,962,607
2037	15,030,000	4,752,794	19,782,794
2038	15,690,000	3,902,287	19,592,287
2039	16,375,000	3,014,711	19,389,711
2040	17,095,000	2,088,419	19,183,419
2041	17,845,000	1,121,651	18,966,651
2042	9,680,000	313,971	9,993,971
TOTAL [1]	$1,087,298,458	$688,002,466 [2] [3]	$1,775,300,924

[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, such amount increasing by five percent each fiscal year. As of April 2, 2012, the total authorized amount for such financings was $55.7 million. The total principal amount outstanding as of April 2, 2012 was $23.6 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 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. The City has no current timetable for issuance of 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 (the "CP Program"). Under the proposed CP Program, Commercial Paper Notes (the "CP Notes") will be 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 financing to be issued when market conditions are favorable. Projects will be 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. In June 2010, the City obtained letters of credit securing the CP Notes issued by J.P. Morgan Chase Bank, N.A. with a maximum principal amount of $50 million and by U.S. Bank, N.A. with a maximum principal amount of $50 million. The letters of credit expires June 2013.

As of April 2, 2012, the outstanding principal amount of CP Notes is $55.6 million. The weighted average interest rate for the CP Notes is 0.17%.

Board Authorized and Unissued Long-Term Obligations

The Board of Supervisors authorized on December 16, 2008 and the Mayor approved on December 19, 2008, the issuance of not to exceed $45.0 million of City and County of San Francisco Certificates of Participation (Moscone Center Improvement Project), Series 2010B to finance improvements to the Moscone Convention Center. The proceeds from the sale of the Certificates will be used to provide funding for various improvements to the City's convention facilities known as Moscone South, Moscone North, and Moscone West. The City anticipates issuing the certificates in the Spring of 2012.

The Board of Supervisors authorized on October 26, 2010 and the Mayor approved on November 5, 2010, the issuance of not to exceed $48,000,000 in City and County of San Francisco certificates of participation to finance various capital improvements, including street and disability access improvement projects. The City anticipates issuing the certificates in the Spring of 2012.

The Board of Supervisors authorized on October 26, 2010 and the Mayor approved on November 5, 2010, the issuance of not to exceed $38,000,000 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 Winter of 2012.

The Board of Supervisors authorized on July 26, 2011 and the Mayor approved on August 1, 2011, the issuance of not to exceed $170,000,000 in City and County of San Francisco certificates of participation to finance the construction and installation of certain improvements in connection with the renovation of the San Francisco War Memorial Veterans Building. The City anticipates issuing the certificates in the Winter of 2012.

Overlapping Debt

Table A-24 shows bonded debt and long-term obligations as of April 2, 2012 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.

[Remainder of Page Intentionally Left Blank.]

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO

Statement of Direct and Overlapping Debt and Long-Term Obligations

2011-2012 Assessed Valuation (net of non-reimbursable & homeowner exemptions):	$158,649,887,998	
	Outstanding	
DIRECT GENERAL OBLIGATION BOND DEBT	**4/2/2012**	
General City Purposes Carried on the Tax Roll	$1,654,741,441	
GROSS DIRECT DEBT	$1,654,741,441	
DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS		
San Francisco Parking Authority Lease Revenue Bds, Series 2000A (North Beach Garage)	$5,455,000	
San Francisco COPs, Series 2001A & Taxable Series 2001B (30 Van Ness Ave. Property)	29,825,000	
San Francisco COPs, Series 2003 (Juvenile Hall Replacement Project)	35,870,000	
San Francisco Finance Corporation, Equipment LRBs Series 2006A, 2007A, 2008A, 2010A, and 2011A	23,655,000	
San Francisco Finance Corporation Emergency Communication Refunding Series, 2010-R1	18,655,000	
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2	129,000,000	
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007	60,580,000	
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A	32,615,000	
San Francisco Redevelopment Agency Moscone Convention Center 1992	7,478,458	1
San Francisco Refunding Certificates of Participation, Series 2004-R1(San Francisco Courthouse Project)	21,950,000	
San Francisco COPs, Series 2007A and Taxable Series 2007B (City Office Buildings - Multiple Properties	145,105,000	
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)	153,650,000	
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Street Improvement Project)	36,120,000	
San Francisco COPs, Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt	38,120,000	
San Francisco COPs, Series 2009D Office Project (525 Golden Gate Avenue) Taxable BABs	129,550,000	
San Francisco Refunding Certificates of Participation, Series 2010-R1	133,190,000	
San Francisco COPs, Refunding Series 2011AB (Moscone)	86,480,000	
LONG-TERM OBLIGATIONS	$1,087,298,458	
GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS	$2,742,039,899	
OVERLAPPING DEBT & LONG-TERM OBLIGATIONS		
Bayshore Hester Assessment District	$710,000	
San Francisco Bay Area Rapid Transit District (33%) Sales Tax Revenue Bonds	100,051,667	
San Francisco Bay Area Rapid Transit District (29%) General Obligation Bonds, Series 2005A, 2007B	107,869,850	
San Francisco Community College District General Obligation Bonds - Election of 2001, 2005	372,240,000	
San Francisco Parking Authority Meter Revenue Refunding Bonds - 1999-1	14,385,000	
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds - 2011	43,780,000	
San Francisco Redevelopment Agency Obligations (Property Tax Increment)	931,966,209	
San Francisco Redevelopment Agency Obligations (Special Tax Bonds)	228,256,885	
Association of Bay Area Governments Obligations (Special Tax Bonds)	44,765,938	
San Francisco Unified School District General Obligation Bonds, Series Election of 2003, 2006	711,545,000	
San Francisco Unified School District COPs - 1996 Refunding, 1998 & 1999	10,495,000	
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS	$2,566,065,549	
GROSS COMBINED TOTAL OBLIGATIONS	$5,308,105,448	2

Ratios to Assessed Valuation:	**Actual Ratio**	**Charter Req.**	
Gross Direct Debt (General Obligation Bonds)	1.04%	< 3.00%	3
Gross Direct Debt & Long-Term Obligations	1.73%	n/a	
Gross Combined Total Obligations	3.35%	n/a	

[1] The accreted value as of July 1, 2011 is $42,403,326

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

[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 property within the City's boundaries that is subject to

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

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

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

On November 8, 2005, voters approved the issuance of up to $246.3 million in general obligation bonds to improve, construct and equip existing and new facilities of the SFCCD. SFCCD issued an aggregate principal amount of $90.0 million of the November 2005 authorization in June 2006. In December 2007, SFCCD issued an additional $110.0 million of such authorization. SFCCD issued the remaining authorization of $46.3 million in spring 2010.

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. 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. Further, the recent legislation to end redevelopment agencies as part of the State's fiscal year 2011-12 budget may have an adverse impact on the projects described below and many other development projects in the City. See "San Francisco Redevelopment Agency Dissolution" above. 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 first phase of development on Parcel A, which was conveyed from the Navy in 2005, is currently underway and includes up to 1,600 homes, 27% to 40% of which will be affordable, and 26 acres of parks and open space. Nearly all of the horizontal construction for Phase 1 is complete and the developer is preparing to commence vertical development on the first four blocks of homes in 2012 . In August 2010, the development of the balance of the Shipyard and Candlestick Point received its final approvals from the Board of Supervisors. This includes (i) approximately 10,500 residential housing units across the project site, approximately 32% of which will be offered at below-market rates in a mix of both rental and for-sale housing; (ii) the complete rebuilding of the Alice Griffith Public Housing Development, also known as Double Rock; (iii) approximately 2.5 million square feet of "green" office, research and development uses on the Shipyard; (iv) approximately 150,000 square feet of green office, research and development or other commercial space on Candlestick Point; (v) more than 300 acres of new and restored parks and open space, which includes neighborhood parks, new waterfront parks around the entire perimeter of the Shipyard, connecting to the region's Bay Trail, and a major renovation of the Candlestick Point State Recreation Area into a "Crissy Field" of the southeast, with restored habitat areas and public access to the water; (vi) approximately 635,000 square feet of regional and neighborhood retail on Candlestick Point; (vii) space for a 10,000-seat performance venue on Candlestick Point; and (viii) space for a new 69,000-seat, world-class football stadium for the San Francisco 49ers football team. The Project is estimated to create thousands of ongoing construction opportunities during the 20- to 30-year construction period, and 10,000 permanent jobs at full build-out. In August 2011, the U.S. Department of Housing and Urban Development (HUD) selected the Alice Griffith Public Housing Development and the surrounding Bayview neighborhood as a recipient of the $30.5 million Choice Neighborhoods Implementation Grant. The Alice Griffith Plan was one of six finalists submitted by communities nationwide competing for HUD Choice Neighborhoods funding.

Treasure Island

Former Naval Station Treasure Island, which ceased operations in 1997, consists of approximately 405 acres on Treasure Island and 90 acres on adjoining Yerba Buena Island, located in San Francisco Bay, and connected to the City by the San Francisco-Oakland Bay Bridge. The development plans for Treasure Island include up to 8,000 new homes, up to 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 brand-new, world-class 300-acre parks and open space system. The compact mixed-use transit-oriented development is clustered around a new ferry terminal and is designed to prioritize walking, biking and public transit. The development plans include cutting-edge green office building standards and best practices in low-impact development. In August 2010, then-Mayor Gavin Newsom, U.S. House of Representatives Speaker Nancy Pelosi, and U.S. Secretary of the Navy Ray Mabus signed the terms for the conveyance of former Naval Station Treasure Island from the Navy to the City, representing another major step towards realizing an environmentally sustainable new community on Treasure Island and the thousands of construction and permanent jobs it will bring. In April 2011, the Treasure Island Development Authority (TIDA) Board of Directors and the Planning Commission certified the project's Environmental Impact Report, as well as approved numerous project documents. In June 2011, the Board of Supervisors unanimously upheld the certification of the Environmental Impact Report, as well as approved numerous project documents, including a Disposition and Development Agreement, Development Agreement, Interagency Cooperation Agreement and Treasure Island Homeless Development Initiative (TIHDI) Agreement. Together, these agreements form the comprehensive vision for the future of the former military base and represent a significant milestone in moving the project closer towards implementation. The first phase of construction could begin as early as Fall 2012 and would consist primarily of horizontal infrastructure improvements to enable subsequent phases of vertical construction. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

Transbay

The Transbay Transit Center broke ground on August 11, 2010, and is scheduled to open in August 2017. Demolition of existing structures on the site was completed in August 2011. The Transbay Transit Center Project will replace the outdated Transbay Terminal at First and Mission Streets with a modern transit hub, extend the Caltrain commuter rail line underground 1.3 miles into the Financial District, and redevelop the area surrounding the Transbay Transit Center with 4,500 new homes 1,200 to be "affordable" below-market homes), a 1.6 million square-foot tower, parks and a retail main street. The Pelli Clarke Pelli Architects-designed Center will serve more than 100,000 people per day through nine transportation systems, including the proposed 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 Center, “City Park,” a 5.4-acre public park that will sit atop the facility, 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 $4.2 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. The first phase of the program, which includes constructing the new transit center, is fully funded.

Mission Bay

The development plans for Mission Bay include a new University of California-San Francisco (UCSF) research campus containing 2.65 million square feet of building space on 43 acres donated by Catellus and the City; UCSF’s 289-bed women’s, children’s and cancer hospital; 4.4 million square feet of biotech, ‘cleantech’ and health care office space; 6,000 housing units, with 1,800 (30%) affordable to moderate-, low-, and very low-income households; 800,000 square feet of retail space; a 500-room hotel with up to 50,000 square feet of retail entertainment uses; 41 acres of public open space, including parks along Mission Creek and San Francisco Bay, plus eight acres of open space within the UCSF campus; a new 500-student public school; and a new fire and police station. Mission Bay is approximately 50% complete.

Cruise Terminal

The Port of San Francisco intends to develop a primary cruise terminal at Pier 27 to replace the existing facility at Pier 35. Pier 35 has neither the sufficient capacity to allow for the increasing length and passenger capacity of new cruise ships nor the amenities needed for an international cruise terminal. Pier 27 is currently used as a back-up berth, but does not have any amenities within its maritime shed. The proposed plan calls for the demolition of the existing Pier 27 maritime shed which opens up the site for new construction of an approximately 88,000 square foot, two-level cruise terminal with an open space, including the 2.5 acre Northeast Wharf Plaza, and ground transportation area capability. The proposed size of the terminal was defined as optimal to serve current and anticipated ship berthing requirements and associated passenger flows. The level of improvements and equipment proposed in the Pier 27 cruise terminal would be designed to optimally to handle carrying 2,600 passengers and will have the capacity to serve vessels carrying up to 4,000 passengers, totaling 40-80 cruise calls a year. The facility would 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 design of the cruise terminal will provide approximately 60,000 square feet of designated space for shared uses, including meetings and special events. It is conceivable that a user could rent the ground transportation area and the provisioning area either in conjunction with the rental of the interior terminal spaces or as a stand-alone event space.

Subject to completion and certification of a Final EIR for this project and other regulatory approvals, demolition of the Pier 27 maritime shed (and a portion of the Pier 29 shed) and new construction of a core and shell building would commence in early 2012 and be completed approximately in a one year period to allow Pier 27 to be used on a temporary basis to the America's Cup Event Authority commencing in early 2013, as stipulated in the Host and Venue Agreement for the 34th America's Cup. After the 2013 racing events, the Port would build-out the remaining portions of the cruise terminal building (e.g., the Customs and Border Protection area), install maritime equipment, complete an operations area within a portion of Pier 29, and complete improvements to the ground transportation area and Northeast Wharf Plaza. The goal is to substantially complete this project to allow for cruise terminal operations to commence late 2014.

Bay Area Economics was commissioned to provide an economic impact study for the Pier 27 project. The study projects that the project could create approximately $29.4 million annually in direct economic activity; $42.2 million in total impacts, and generate approximately 408 jobs within San Francisco. In addition, the Bay Area Economics study projects that the project could generate approximately $900,000 annually in direct tax revenues that accrue to the City's General Fund. Regionally, Bay Area Economics estimated $43.4 million in direct impacts and $66.9 million in total impacts, and approximately 470 jobs in the Bay Area.

America's Cup

On December 31, 2010, the City was selected to host the 34th America's Cup World Series in the summer of 2012 and the America's Cup Challenger Series and Finals in the summer of 2013. To accommodate the events, the America's Cup Event Authority will invest in a series of Waterfront improvements along the central and northeast waterfront, primarily on Piers 27-29 for the America's Cup Village and at Piers 30-32 for team bases. In time for the Challenger Series and Match events, the City will complete the Brannan Street Wharf project and construct core and shell of the Pier 27 James R. Herman Cruise Terminal building. After the conclusion of the events, the City will complete the James R. Herman Cruise Ship Terminal and Northeast Wharf Plaza. The City cannot predict the precise economic effects of hosting the event, but the City expects that sales tax and transient occupancy tax revenues will be positively impacted.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limits 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 consumer price index 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. 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 would be insignificant. 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 XIIIA and XIIIC 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

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.

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, 2011, 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.

Risk Retention Program

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

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

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

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

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

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2011*

* The Comprehensive Annual Financial Report may be viewed online or downloaded from the City Controller's website at http://www.sfgov.org/controller. The City Controller's website is not incorporated herein by reference.

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
Year ended June 30, 2011

Prepared by:
Office of the Controller

Ben Rosenfield
Controller

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report
Year ended June 30, 2011

TABLE OF CONTENTS

CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report
Year ended June 30, 2011

TABLE OF CONTENTS (Continued)

CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report
Year ended June 30, 2011

TABLE OF CONTENTS (Continued)

This page has been intentionally left blank.

Introductory Section

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

Photo by Jan Lundberg

CITY AND COUNTY OF SAN FRANCISCO **OFFICE OF THE CONTROLLER**

November 28, 2011

The Honorable Mayor Edwin Lee
The Honorable Members of the Board of Supervisors
Citizens 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 fiscal year ended June 30, 2011, 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 financial reporting set forth by the Governmental Accounting Standards Board (GASB).

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

The City's Charter requires an annual audit of the Controller's records. The records have been audited by Macias Gini & O'Connell LLP and are presented in this CAFR. The CAFR also incorporates financial statements for 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 of San Francisco Market Corporation, 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 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 statements that report on all City financial operations, and also include fund financial statements that present information for all City funds. The independent auditor's report on the Basic Financial Statements is also included.

The financial statements of several enterprise activities and of all component units of government are included in this CAFR. Some component units' financials are blended with the City's, such as: the San Francisco County Transportation Authority, the San Francisco Finance Corporation, and the San

Francisco Parking Authority. The reason for this is that the primary government is financially accountable for the operations of these agencies. In other instances, namely, for the San Francisco Redevelopment Agency and the Treasure Island Development Authority, financial reporting is shown separately. Supplemental combining statements and schedules for nonmajor 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—Statement No. 44. This section may be of special interest to prospective investors in our bonds.

SAN FRANCISCO'S ECONOMY:

Overview of Recent Trends

This past fiscal year saw the first sign of improvement in San Francisco's economy since the recession struck the state and nation in late 2007. While unemployment rates in the previous fiscal year remained stagnant, fiscal year 2010-11 showed some signs of economic recovery. Average unemployment for fiscal year 2010-11 was 9.2%, down 0.3% from the previous level of 9.5% for fiscal year 2009-10. Unemployment began the fiscal year in July 2010 at 9.5%, and closed the fiscal year in June 2011 at 9.0%.

Since the 1970s, San Francisco has shown a pattern of entering and recovering from recessions later than the rest of the state and the nation. This recession has been no exception. The national recession, which started in December 2007, did not notably affect the San Francisco job market until October 2008. By June 2009, the U.S. recession ended and by the summer of 2010 the economy began to see private sector job growth. However, the San Francisco Metropolitan Division, of which San Francisco is the largest jurisdiction, saw a job decline of 0.3% between July 2010 and July 2011.

Other local economic indicators were mixed in fiscal year 2010-11. Housing prices and industry employment remained significantly below their pre-recession peaks, while residential and commercial rent, hotel revenues, and retail sales showed significant signs of recovery.

Despite the length and severity of the recession, San Francisco has continued to fare better than the rest of California. Throughout fiscal year 2010-11, San Francisco's unemployment rate ranked between the 4th and 6th lowest of California's 58 counties. The state's unemployment rate averaged 12.2% during fiscal year 2010-11 while San Francisco's average unemployment rate was 9.2%. California was one of the states hardest hit by the recession, largely because of the breadth of its housing bubble and subsequent high level of home foreclosure. San Francisco's recovery has been largely conditioned by improvements in the broader regional and state economies.

In the past, San Francisco has been slow to add employment after recessions. In the recession of the early 1990s, the City lost private sector employment for four consecutive years. During the early 2000s, employment also declined for four consecutive years. Nevertheless, San Francisco's long-term economic fundamentals – the education and creativity of its workforce, its environment, technological base, and cultural amenities – remain among the strongest of any major city in the United States. These competitive advantages are likely to secure the City's continued prosperity after the current recession ends.

Significant Economic Outcomes

Several aspects of San Francisco's recent economic performance over the past several years are discussed in more detail in the following section.

Population decline from the prior year

In 2010, the U.S. Census Bureau conducted its decennial census of the population. According to the Census Bureau, San Francisco had 805,235 residents as of April 1, 2010, a 1.2% decline from the July 1, 2009 Census estimate. This is compared to a smaller decline of 0.8% in California as estimated by the Census. The California Department of Finance (DOF) has also released different estimates of San Francisco's population, based on the 2010 decennial census. The DOF reported San Francisco's population as 818,163, a 0.4% decrease from the population in 2009. In comparison, the DOF reported that California's population increased by 1.2%.

Total employment stabilized, but with limited growth

According to the California Employment Development Department, the wage and salaried employment base of San Francisco grew by 1.4% between December of 2009 and December of 2010, the most recent month available. Compared with a 5.9% drop in employment between December of 2008 and 2009, this suggests that San Francisco's employment picture has stabilized, but not fully recovered during 2010. During the recent recession, San Francisco saw its employment fall by nearly 6%, making it a relatively mild recession. The City lost over 15% of its employment during the early 2000's recession, and over 7% of its employment during the early 1990's recession. The very high levels of unemployment witnessed in San Francisco, which exceed the level of unemployment in either past recession, may have more to do with the lack of opportunities elsewhere in the state than direct job losses in the City.

Taxable sales growth above pre-recession levels

Unlike the job market, San Francisco's taxable sales have begun to grow rapidly, with fiscal year 2010-11 sales tax revenue up 10.1% over fiscal year 2009-10. The fiscal year 2010-11 total is the highest on record, indicating that sales tax revenues have fully recovered from the recession.

Since San Francisco entered the recession after most of California, the City's taxable sales base grew through most of 2008. However, as of the second quarter of fiscal year 2008-09, the City saw annual declines in taxable sales and its associated sales tax revenue. Taxable sales declined significantly until the second half of fiscal year 2009-10 before stabilizing and steadily rising over the last four quarters.

Improvement in commercial property market, but a continuing slide in the residential market

Key indicators of the City's real estate market were mixed during fiscal year 2010-11. Commercial and residential rents showed signs of recovery, while median home prices fell. The average residential rental asking price in fiscal year 2010-11 increased by 13.7% from $1,820 in fiscal year 2009-10 to $2,070. Commercial rents saw a 9.4% increase in asking price in fiscal year 2010-11 versus fiscal year 2009-10. However, average median home prices fell by an additional 1.7% in fiscal year 2010-11 versus the prior year.

Tourism sector sees significant growth

The hotel sector, which is a key barometer of San Francisco travel and tourism industry, saw significant growth in fiscal year 2010-11 versus the previous year. Hotel room average occupancy rose to 81.1% for the fiscal year, a significant increase from the prior year, approaching a historical high. Average daily room rates grew significantly in fiscal year 2010-11, jumping 10.7% from $157 per room-night in fiscal year 2009-10 to $173 per room-night.

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 City annually adopts budgets for all governmental funds and typically adopts project-length budgets for capital projects and certain debt service funds. 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 voters adopted amendments to the Charter in November 2009 designed to further strengthen the City's long-range financial planning. These changes include a required shift to the annual adoption of two-year budgets for all departments and funds by August 1st, 2012, with an option to shift to a fixed two-year budget cycle in future years. As further required by these amendments, the Board of Supervisors and Mayor approved a City five-year financial plan during this past fiscal year, and the City is required to update this document every two years going forward. Lastly, 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. The Board approved a set of policies governing the City's budget reserve practices in 2010 and the use of non-recurring revenues and General Fund-backed debt in 2011.

Internal and Budgetary Controls

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

The City maintains budgetary controls to ensure that legal provisions of the annual budget are in compliance and expenditures do not exceed budgeted amounts. Controls are exercised by integrating the budgetary accounts in fund ledgers for all budgeted funds. An encumbrance system is also used to account for purchase orders and other contractual commitments. Encumbered balances of appropriations at year-end are reported as assigned fund balance and are not reappropriated in the following year's budget.

Cash Management

The City's pooled deposits and investments are invested pursuant to policy established by the Treasurer working with the City's Treasury Oversight Committee. The City's investment policy seeks the preservation of capital, liquidity and a market rate of return, in that order. The policy addresses the safekeeping and custody practices with financial institutions in which the City deposits funds, types of investments permitted, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The earned income yield of fiscal year 2010-11 was 1.24%. The Employees' Retirement System and the Redevelopment Agency deposits and investments are maintained outside the City Treasury and follow policies established by their respective governing boards.

Risk Management

With certain exceptions, it is the policy of the City not to purchase commercial insurance against property or liability risk. 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 and supplemental appropriations. The City maintains limited coverage for certain facilities, primarily property of San Francisco International Airport, Port of San Francisco, Municipal Transportation Agency, Hetch Hetchy, Water Department, and art at City-owned museums. Additionally, various types of liability insurance are maintained by the City for the Port and the Airport. Claims payment history (experience) and payroll costs (exposure) are considered when calculating the claims liabilities and workers' compensation outstanding liabilities for each department. The City's insurance/self-insurance program is reviewed annually in the budget process. The claims liabilities and workers' compensation liabilities are reported on the financial statements. They have been actuarially determined and include an estimate of incurred but not reported losses.

Pension 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 1st, 2010, estimate the plan is 91% funded. The required employer contribution rate was 13.56% of pensionable salary costs in fiscal year 2010-11 and is 18.09% in fiscal year 2011-12.

Key Government Initiatives

San Francisco's economy depends on investments in infrastructure 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.

Housing and Commercial Development

San Francisco's recovery and future economic growth depends on meeting the demand for new residential and commercial space. Despite the recession, the City has continued to make progress on these objectives. After years of planning, three significant, large-scale redevelopment projects received final approvals in fiscal year 2010-11. Upon full build-out and occupancy, these developments are planned to add more than 24,000 housing units to the City's inventory, accommodating an estimated 55,000 new residents. Combined, the non-residential uses within these mixed-use developments are anticipated to accommodate up to 16,000 jobs at build-out.

Hunters Point Shipyard Redevelopment

The redevelopment project for the Hunters Point Shipyard, a former naval base, includes plans for a master-planned community totaling approximately 500 acres, located along the southeastern waterfront of San Francisco. The redevelopment plan amendments for the Shipyard and Bayview Hunters Point were approved by the Board in August 2010 along with other necessary land use, financing and land transfer legislation to provide for the integrated planning and development of the Shipyard and the Candlestick Point (approximately 280 acres) consistent with Proposition G approved by the voters in 2008. Development of the Shipyard is a public-private partnership between the City, the Redevelopment Agency and a private development team.

The first phase of the Shipyard's development is already underway and includes up to 1,600 homes, 27% to 40% of which will be affordable, and 26 acres of open space. The balance of the Shipyard development will be built in conjunction with Candlestick Point as one development project. This second phase of the program provides for an additional 10,500 new housing units, 32% of which will be affordable, including the rebuilding of the Alice Griffith public housing development. The second phase also includes up to three million square feet of research and development space centered around a clean tech business incubator and the headquarters for the United Nations Global Compact Sustainability Center, which will be located in the project area. The redevelopment plan also includes over 300 acres of parks and open space, including a complete renovation of the Candlestick Point State Recreation area, and a potential stadium site. Development will be phased over approximately 20 years, and upon completion is anticipated to house approximately 25,000 residents and support more than 12,000 permanent jobs within the planned commercial space.

Treasure Island Redevelopment

After a 15-year planning and entitlement process the Board of Supervisors granted final approval for the redevelopment of Treasure Island in June 2011, a plan that will convert the former Navy base into one of the most environmentally sustainable developments in U.S. history. The City, acting by and through the Treasure Island Development Authority (TIDA) as the local reuse authority, is responsible for the long-term redevelopment of Treasure Island. Over the past decade, the City has crafted redevelopment plans for what has been widely heralded as one of the most environmentally sustainable developments in U.S. history.

These plans include a mixed-use development containing a new commercial town center and residential neighborhood with up to 8,000 new homes (30% of which will be below market rate homes including for hundreds of formerly homeless through the nationally-recognized Treasure Island Homeless Development Initiative), two hotels, and hundreds of acres of parks and open space. The project will generate thousands of construction jobs annually for the 10-20 year life of the project. Once realized, Treasure Island will generate over 3,000 permanent jobs.

Park Merced Complex

A public-private redevelopment plan for the Park Merced complex in the City's southwest corner, was approved in May 2011. The redevelopment of the existing 3,200-unit 1950's-era Park Merced is expected to occur in phases and is projected to add 5,600 net new residential units and 300,000 square feet of new neighborhood-serving retail and office uses. Additionally, the plan anticipates the extension of a light rail line into the heart of a new transit-oriented neighborhood. When completed, the project plans to house 12,300 new residents and create 1,600 new full-time jobs.

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 intracity 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 2016-17. The $1.6 billion transit center is funded through a host of revenue sources, including federal stimulus funding, tax increment and other revenues generated from planned dense, mixed-use development adjacent to the site.

The City has begun preliminary construction work on 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 completed, the project will reduce travel times and congestion along some of the most congested vehicular and public transit routes in California.

The City completed the renovation of Terminal 2 at San Francisco International Airport (SFO) during this past fiscal year. This $383 million project, featured on the cover of this report, provides a state-of-the-art domestic terminal at the airport. The terminal expands the number of gates available at SFO by 17%, and is now home to both American Airlines and Virgin America. The project was necessitated by the continued growth in passenger volumes at SFO, which accounts for 96% of international air travel and 69% of all air travel into the Bay Area.

Strengthening the Region's Water and Sewer Infrastructure

The City is half-way complete with a $4.6 billion program to upgrade the City's local and regional water system, known as the Water System Improvement Program (WSIP). The WSIP delivers capital improvements that enhance the system's ability to provide reliable, affordable, high-quality drinking water to the system's wholesale and regional retail customers in Alameda, Santa Clara and San Mateo counties, collectively serving some 1.7 million people outside of San Francisco, as well as another 800,000 retail customers in San Francisco. The program is structured to cost effectively meet water quality requirements, improve seismic and delivery reliability, and meet long-term water supply objectives. The WSIP is projected to be fully completed by the middle of 2016.

Planning work is underway for a needed upgrade to the City's wastewater system, a system 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. The sewer system includes nearly 1,000 miles of collection and transmission mains, four treatment plants, a solids handling system, and major force mains and interceptors. The total cost of the sewer system improvement program is projected to be between $6 to $7 billion over a period of up to 30 years, including an estimated $4 billion during the coming ten years. Planning, design, and environmental work will progress during the coming two fiscal years.

Rebuilding the City's Public Hospitals

The City is in the process of replacing and modernizing both of its public hospitals, Laguna Honda Rehabilitation Center and San Francisco General Hospital.

The replacement of Laguna Honda Hospital was largely completed in fiscal year 2009-10. The $585 million project has been funded with a mix of General Obligation bonds, tobacco settlement revenues, and certificates of participation. Three new seismically-safe buildings, home to 780 residents, were occupied in December 2010.

The voters approved a General Obligation bond measure to fund the replacement of San Francisco General Hospital in November 2008. This $887 million project is required given changes to state law governing seismic requirements for hospitals. It will replace the existing 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 has begun, with completion expected in fiscal year 2014-15.

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.

The City launched the Healthy San Francisco program in 2007 with the goal of increasing access to healthcare for San Francisco residents. The program creates a mandate for many businesses in San Francisco to either provide employer-paid health insurance for their employees or to pay into an expansion of the City's public health network. The program is funded with a mix of local and federal funding, employer-paid contributions, and participant fees.

During this past fiscal year, the City's Department of Public Health has focused on expanding enrollment and broadening the medical provider network participating in the program. The provider network now includes 36 public and private medical facilities. By the end of fiscal year 2010-11, over 54,000 uninsured adult residents had enrolled in the program, or approximately 85% of the City's estimated adult uninsured population.

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 of a $185 million general obligation bond for improvements to neighborhood parks in February 2008. This most-recent parks improvement measure includes funds for seismic improvement, disability access, and facility renovation at key facilities and parks throughout the City. Design or construction work is now underway on the majority of the planned program, and is scheduled for completion by fiscal year 2013-2014.

A comprehensive capital improvement program intended to renovate the City's branch library system is proceeding, with planned improvements in 22 of the 24 branch libraries included within the capital program now complete. The $187 million program, funded with a mix of general obligation and lease-revenue bonds, focuses on seismic safety, accessibility, and modernization of facilities for current uses. Final completion of the improvement program is scheduled by fiscal year 2013-14.

Other Information

Independent Audit

The City's Charter requires an annual audit of the Controller's records. These records, represented in the Comprehensive Annual Financial Report (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, and the Redevelopment Agency have been separately audited. The Independent Auditors' 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, 2010. This was the 29th consecutive year, beginning with the fiscal year ending 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.

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

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

This page has been intentionally left blank.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City and County of San Francisco California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Linda C. Davidson

President

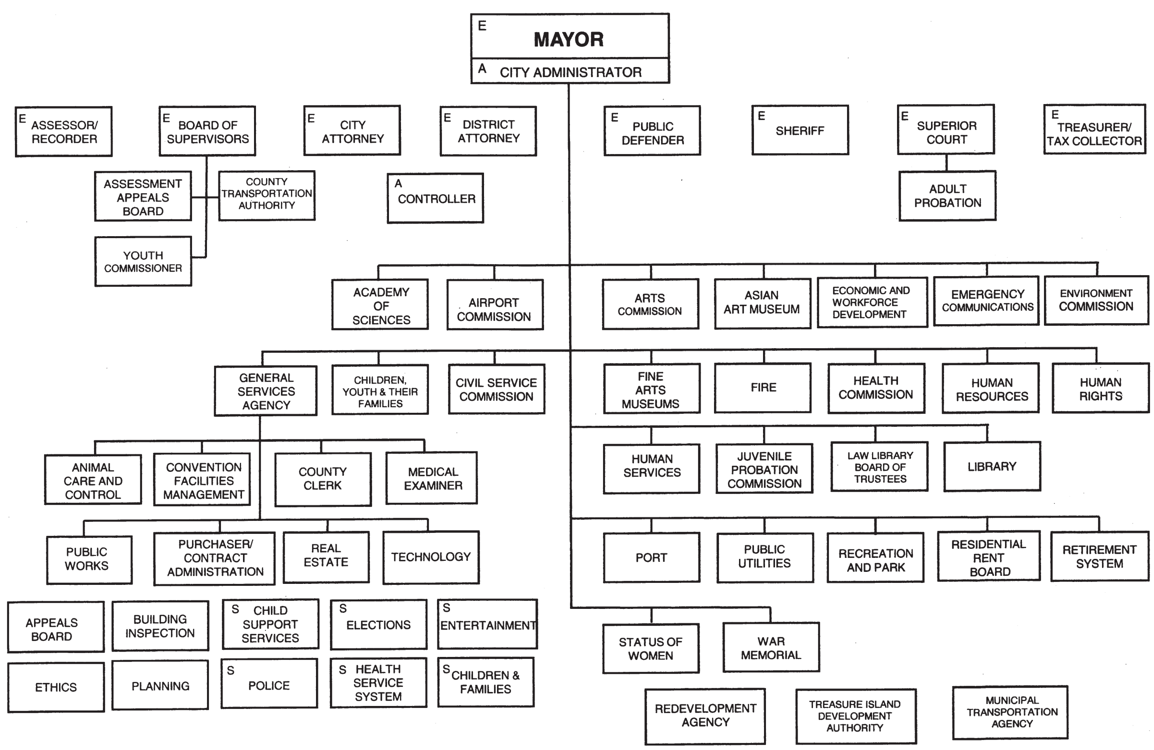
Jeffrey R. Esser

Executive Director

This page has been intentionally left blank.

City and County of San Francisco Organization Chart

(As of June 30, 2011)



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

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2011

ELECTED OFFICIALS

Mayor	Edwin M. Lee
Board of Supervisors:	
President	David Chiu
Supervisor	Eric L. Mar
Supervisor	Mark Farrell
Supervisor	Carmen Chu
Supervisor	Ross Mirkarimi
Supervisor	Jane Kim
Supervisor	Sean Elsbernd
Supervisor	Scott Wiener
Supervisor	David Campos
Supervisor	Malia Cohen
Supervisor	John Avalos
Assessor/Recorder	Phil Ting
City Attorney	Dennis J. Herrera
District Attorney	George Gascón
Public Defender	Jeff Adachi
Sheriff	Michael Hennessey
Superior Courts	
Presiding Judge	Judge Katherine Feinstein
Treasurer/Tax Collector	José Cisneros

APPOINTED OFFICIALS

City Administrator	Amy L. Brown (Acting)
Controller	Benjamin Rosenfield

DEPARTMENT DIRECTORS/ADMINISTRATORS

Airport	John L. Martin
Appeals Board	Cynthia Goldstein
Arts Commission	Luis Cancel
Asian Art Museum	Jay Xu
Board of Supervisors	Angela Calvillo
Assessment Appeals Board	Dawn Duran
County Transportation Authority	José Luis Moscovich
Building Inspection	Vivian Day
California Academy of Sciences	Gregory C. Farrington, Ph.D.
Child Support Services	Karen M. Roye
Children, Youth and Their Families	Maria Su
Civil Service	Anita Sanchez
Economic and Workforce Development	Jennifer Matz
Elections	John Arntz
Emergency Management	Anne Kronenberg
Entertainment	Jocelyn Kane
Environment	Melanie Nutter
Ethics	John St. Croix
Fine Arts Museums	John E. Buchanan, Jr.
Fire	Joanne Hayes-White

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2011

DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

General Services Agency	
Animal Care and Control	Rebecca Katz
Convention Facilities Management	John Noguchi
County Clerk	Karen Hong Yee
Medical Examiner	Amy P. Hart, M.D.
Public Works	Ed Reiskin
Purchaser/Contract Administration	Jaci Fong (Acting)
Real Estate	John Updike (Acting)
Department of Technology	Jon Walton (Acting)
Health Service System	Catherine Dodd
Human Resources	Micki Callahan
Human Rights	Theresa Sparks
Human Services	Trent Rhorer
Aging and Adult Services	Anne Hinton
Juvenile Probation	William P. Siffermann
Law Library Board of Trustees	Marcia Bell
Library	Luis Herrera
Municipal Transportation Agency	Nathaniel P. Ford, Sr.
Planning	John Rahaim
Police	Greg Suhr
Office of Citizen Complaints	Joyce M. Hicks
Port	Monique Moyer
Public Health	Barbara A. Garcia
Public Utilities	Edward Harrington
Recreation and Park	Phil Ginsburg
Residential Rent Board	Delene Wolf
Retirement System	Gary A. Amelio
Small Business	Regina Dick-Endrizzi
Status of Women	Emily Murase
Superior Court	T. Michael Yuen
Adult Probation	Wendy S. Still
War Memorial	Elizabeth Murray

DISCRETELY PRESENTED COMPONENT UNITS

Redevelopment Agency	Fred Blackwell
Treasure Island Development Authority	Mirian Saez

This page has been intentionally left blank.

Financial Section

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information

Photo by Joseph Driste

MGO Certified Public Accountants.

Sacramento • Walnut Creek • Oakland • Los Angeles/Century City • Newport Beach • San Diego mgocpa.com

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, San Francisco Municipal Transportation Agency, San Francisco Wastewater Enterprise, San Francisco Market Corporation, and the Health Service System, which collectively represent the following percentages of assets and deferred outflows, net assets/fund balances and revenues/additions as of and for the year ended June 30, 2011.

Opinion Unit	Assets and Deferred Outflows	Net Assets/ Fund Balances	Revenues/ Additions
Business-type activities	92%	84%	72%
Aggregate remaining fund information	1%	-	9%

Those financial statements were audited by other auditors whose reports thereon 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. The prior year partial and summarized comparative information has been derived from the City's 2010 basic financial statements and, in our report dated January 28, 2011, we expressed unqualified opinions, based on our audit and the reports of other auditors, on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, 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 conformity with accounting principles generally accepted in the United States of America.

3000 S Street Suite 300 Sacramento CA 95816 | 2121 N. California Blvd. Suite 750 Walnut Creek CA 94596 | 505 14th Street 5th Floor Oakland CA 94612 | 2029 Century Park East Suite 500 Los Angeles CA 90067 | 4675 MacArthur Ct. Suite 600 Newport Beach CA 92660 | 225 Broadway Suite 1750 San Diego CA 92101

As discussed in Notes 2(k) and 2(r) to the basic financial statements, effective July 1, 2009, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The financial statements include partial or summarized prior year comparative information. Such prior year information does not include all of the information required to constitute a presentation in conformity with accounting principles general accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended June 30, 2010, from which such partial or summarized information was derived.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 28, 2011

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 fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2009-10 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2010-11 basic financial statements.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the end of the fiscal year by approximately $6.30 billion (net assets). Of this balance, $5.99 billion represents the City's investment in capital assets net of related debt and $669.3 million represents restricted net assets. This is offset by a deficit in unrestricted net assets of $360.5 million. The City's total net assets increased by $333.9 million or 5.6 percent over the previous fiscal year. Of this amount, total net assets invested in capital assets net of related debt, restricted assets and unrestricted net assets increased by $258.0 million or 4.5 percent, $21.4 million or 3.3 percent and $54.4 million or 13.1 percent, respectively.

The City's governmental funds reported total revenues of $4.10 billion, a $312.6 million or 8.3 percent increase over the prior year. Within this, revenues from intergovernmental grants, other local taxes, property taxes, business taxes, hotel room tax and sales and use tax grew by approximately $88.9 million, $57.2 million, $48.4 million, $37.8 million, $23.1 million and $16.7 million, respectively. At the same time, there was a decline in revenues from fines, forfeitures and penalties, interest and investment income and utility users taxes for a total of $23.3 million. Governmental funds expenditures totaled $3.78 billion for this period, a $7.7 million or 0.2 percent increase, reflecting increases in $32.3 million in capital outlay and $6.0 million in debt service payments which were partly offset by a decline in governmental services expenditures for $30.6 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to $1.13 billion, an increase of $128.5 million or 12.9 percent from prior year. This increase was due to improvements in the General Fund by $136.2 million from 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 $866.2 million during this fiscal year. The City issued a total of $1.54 billion in debt this year. Of this amount, $79.5 million in general obligation bonds were issued for improvements for earthquake safety and emergency response projects and an additional drawdown of $15 million of general obligation bonds for the seismic safety loan program for privately-owned buildings within the City. The City also issued $14.7 million in equipment lease revenues bonds and $138.4 million refunding certificates of participation as well as $22.3 million refunding lease revenue bonds to take advantage of the lower interest rates. The San Francisco International Airport issued a total of $283.8 million revenue bonds and refunding revenue bonds to retire outstanding commercial paper notes and certain outstanding fixed rate bonds. The San Francisco Water Enterprise issued a total of $979.3 million in revenue bonds to provide new money for capital projects of the Water System Improvement Program and to advance refund a portion of the outstanding water revenue bonds and related financing costs. The balance of commercial paper issued to fund new capital projects or to refinance matured commercial paper also increased by $33.8 million this fiscal year. Of this increase, $12.5 million was for governmental activities and $21.3 million was for business-type activities.

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

<table>
<tr><td rowspan="14">CAFR</td><td>Introductory Section</td><td colspan="4">INTRODUCTORY SECTION</td></tr>
<tr><td></td><td colspan="4">+</td></tr>
<tr><td rowspan="10">Financial Section</td><td colspan="4">Management's Discussion and Analysis</td></tr>
<tr><td>Government-wide Financial Statements</td><td colspan="3">Fund Financial Statements</td></tr>
<tr><td rowspan="3">Statement of net assets</td><td>Governmental Funds</td><td>Proprietary Funds</td><td>Fiduciary Funds</td></tr>
<tr><td>Balance Sheet</td><td>Statement of net assets</td><td rowspan="2">Statement of fiduciary net assets</td></tr>
<tr><td rowspan="2">Statement of revenues, expenditures, and changes in fund balances</td><td rowspan="2">Statement of revenues, expenses, and changes in fund net assets</td></tr>
<tr><td rowspan="2">Statement of activities</td><td rowspan="2">Statement of changes in fiduciary net assets</td></tr>
<tr><td>Budgetary comparison statement</td><td>Statement of cash flows</td></tr>
<tr><td colspan="4">Notes to the Financial Statements</td></tr>
<tr><td colspan="4">Required Supplementary Information Other Than MD&A</td></tr>
<tr><td colspan="4">Information on individual nonmajor funds and other supplementary information that is not required</td></tr>
<tr><td></td><td colspan="4">+</td></tr>
<tr><td>Statistical Section</td><td colspan="4">STATISTICAL SECTION</td></tr>
</table>

The following figure summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses 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 assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, public works, transportation and commerce, human welfare and neighborhood development, community health, culture

and recreation, general administration and finance, and general City responsibilities. The business-type activities of the City include an airport, port, public transportation systems (including parking), water and power operations, an acute care hospital, a long-term care hospital, sewer operations, and a produce market.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate redevelopment agency, the San Francisco Redevelopment Agency, and a legally separate development authority, the Treasure Island Development Authority (TIDA), for which the City is financially accountable. Financial information for these component units 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 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.

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 for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

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

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

The City adopts an annually appropriated 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), Port of San Francisco (Port), San Francisco Water Enterprise (Water), Hetch Hetchy Water and Power (Hetch Hetchy), Municipal Transportation Agency (MTA), Laguna Honda Hospital, San Francisco General Hospital Medical Center, and the San Francisco Wastewater Enterprise (Wastewater), 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 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, 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 progress in funding its obligation to provide pension and other postemployment benefits to its employees.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets
June 30, 2011
(in thousands)

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Assets and deferred outflows:						
Current and other assets	$ 2,288,417	$ 2,165,396	$ 3,968,358	$ 3,638,011	$ 6,256,775	$ 5,803,407
Capital assets	3,314,450	3,177,822	10,936,266	10,056,170	14,250,716	13,233,992
Deferred outflows	-	-	63,382	89,505	63,382	89,505
Total assets and deferred outflows	5,602,867	5,343,218	14,968,006	13,783,686	20,570,873	19,126,904
Liabilities:						
Current liabilities	1,071,868	1,087,991	1,150,610	1,139,045	2,222,478	2,227,036
Noncurrent liabilities	3,220,720	3,102,242	8,824,922	7,828,747	12,045,642	10,930,989
Total liabilities	4,292,588	4,190,233	9,975,532	8,967,792	14,268,120	13,158,025
Net assets:						
Invested in capital assets, net of related debt *	1,910,341	1,833,733	4,481,404	4,277,799	5,993,892	5,735,844
Restricted *	446,799	382,070	242,742	278,562	669,340	647,938
Unrestricted (deficit) *	(1,046,861)	(1,062,818)	268,328	259,533	(360,479)	(414,903)
Total net assets	$ 1,310,279	$ 1,152,985	$ 4,992,474	$ 4,815,894	$ 6,302,753	$ 5,968,879

*See note 2(k)

Analysis of Net Assets

Net assets may serve as a useful indicator of the government's financial position. As noted earlier, at the end of fiscal year 2010-11, the City's total net assets exceeded liabilities by $6.30 billion.

The largest portion of the net assets reflects the City's $5.99 billion investment in capital assets (e.g. land, buildings, and equipment) less any outstanding debt related to the acquisition of these assets. This is 95.1 percent of the City's total net assets, a 4.5 percent increase over the prior year that is largely due to growth in net capital assets in the governmental activities and business-type activities, particularly Water, Wastewater, Hetch Hetchy, Airport and MTA. Port has a slight decrease in this net asset component. Since the government uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay these 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 assets, $669.3 million (10.6 percent) represents restricted resources that are subject to external limitations regarding their use. The governmental activities have a $1.05 billion deficit in the unrestricted net assets, due largely to transfers to business-type activities and the recognition of other postemployment benefit expense. This deficit also included $418.1 million of long-term bonds issued to fund the Laguna Honda Hospital rebuilt project, certain park facilities projects at the Port and improvement projects for reliable emergency water supply for the Water Enterprise (see note 2(k)). The business-type activities reported positive balances in all categories of net assets at the end of this fiscal year.

Changes in Net Assets
Year Ended June 30, 2011
(in thousands)

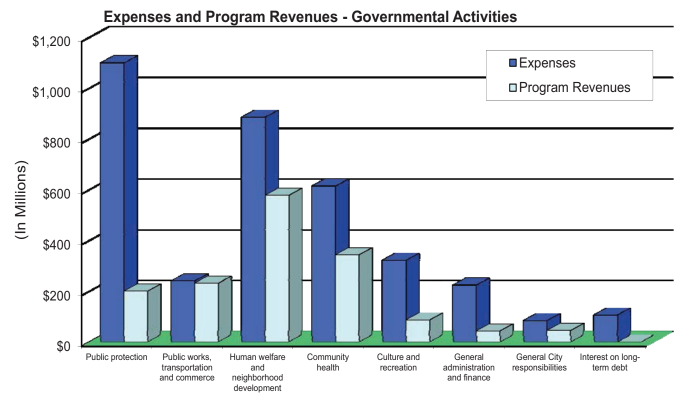
	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	$ 428,443	$ 376,688	$ 2,399,552	$ 2,167,539	$ 2,827,995	$ 2,544,227
Operating grants and contributions	1,040,116	997,091	204,153	182,572	1,244,269	1,179,663
Capital grants and contributions	57,719	50,349	213,364	180,253	271,083	230,602
General revenues:						
Property taxes	1,340,590	1,345,040	-	-	1,340,590	1,345,040
Business taxes	391,779	354,019	-	-	391,779	354,019
Sales and use tax	181,474	164,769	-	-	181,474	164,769
Hotel room tax	209,962	186,849	-	-	209,962	186,849
Utility users tax	91,683	94,537	-	-	91,683	94,537
Other local taxes	251,285	194,070	-	-	251,285	194,070
Interest and investment income	17,645	27,877	42,299	44,471	59,944	72,348
Other	58,524	54,410	214,993	176,064	273,517	230,474
Total revenues	4,069,220	3,845,699	3,074,361	2,750,899	7,143,581	6,596,598
Expenses						
Public protection	1,099,791	1,089,309	-	-	1,099,791	1,089,309
Public works, transportation and commerce	239,230	225,589	-	-	239,230	225,589
Human welfare and neighborhood development	885,194	933,039	-	-	885,194	933,039
Community health	613,883	599,741	-	-	613,883	599,741
Culture and recreation	318,083	310,063	-	-	318,083	310,063
General administration and finance	224,027	221,471	-	-	224,027	221,471
General City responsibilities	84,444	80,246	-	-	84,444	80,246
Unallocated Interest on long-term debt	110,142	102,635	-	-	110,142	102,635
Airport	-	-	690,875	662,347	690,875	662,347
Transportation	-	-	905,218	905,694	905,218	905,694
Port	-	-	68,661	73,573	68,661	73,573
Water	-	-	362,802	325,242	362,802	325,242
Power	-	-	119,282	119,109	119,282	119,109
Hospitals	-	-	885,294	842,488	885,294	842,488
Sewer	-	-	201,629	201,403	201,629	201,403
Market	-	-	1,152	1,119	1,152	1,119
Total expenses	3,574,794	3,562,093	3,234,913	3,130,975	6,809,707	6,693,068
Increase/(decrease) in net assets before transfers	494,426	283,606	(160,552)	(380,076)	333,874	(96,470)
Transfers	(337,132)	(435,824)	337,132	435,824	-	-
Change in net assets	157,294	(152,218)	176,580	55,748	333,874	(96,470)
Net assets at beginning of year	1,152,985	1,305,203	4,815,894	4,760,146	5,968,879	6,065,349
Net assets at end of year	$ 1,310,279	$ 1,152,985	$ 4,992,474	$ 4,815,894	$ 6,302,753	$ 5,968,879

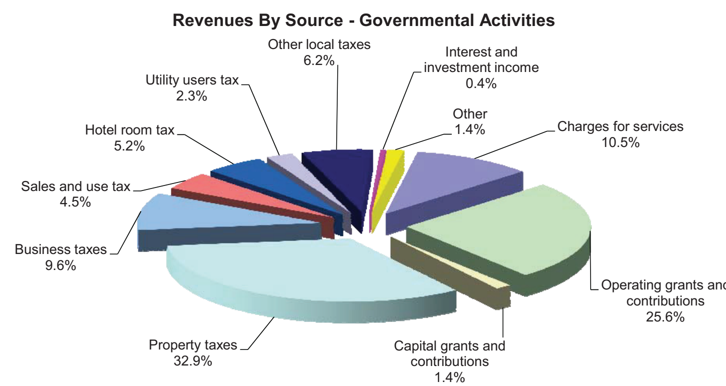
Analysis of Changes in Net Assets

The City's total net assets increased by $333.9 million during fiscal year 2010-11, an improvement after three consecutive years of decline. The governmental activities net assets increased $157.3 million and the business-type activities increased $176.6 million. With the exception of the Water Enterprise and the General Hospital, all of the City's business-type activities contributed to this growth. These two enterprises saw decreases in net assets totaling $48.4 million while the remaining enterprises reported a total growth of $225.0 million in net assets.

The City's governmental activities experienced a $223.5 million or 5.8 percent growth in total revenues. This included $57.2 million in other local taxes, $51.8 million in charges for services, $43.0 million in operating grants and contributions, and a $37.8 million in business taxes. Hotel room taxes, sales and

use tax, capital grants and contributions and other revenues also had a combined growth of $51.3 million. These improvements were partly offset by a decline in other revenue sources, including a $10.2 million decrease in interest and investment income, a $4.5 million drop in property taxes and a reduction of $2.9 million in utility user taxes. The City's governmental activities expenses reported a slight increase of $12.7 million or 0.4 percent this fiscal year. The net transfer to business-type activities decreased by $98.7 million. A discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.





Governmental activities. Governmental activities increased the City's total net assets by approximately $157.3 million. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were $4.07 billion, a $223.5 million or 5.8 percent increase over the prior year. For the same period, expenses totaled $3.57 billion before transfers of $337.1 million, resulting in a total net assets increase of $157.3 million by June 30, 2011.

Property tax revenues decreased slightly by $4.5 million or 0.3 percent. Other local tax revenues grew by $57.2 million. Of this, $51.5 million was from Property Transfer Tax. This growth was due in large part to recent tax rate increases. Proposition N, passed in November 2008, increased the transfer tax rate from 0.75 percent to 1.5 percent for all transactions valued over $5 million. A second Proposition N, passed in November 2010, increased the rate from 1.5 percent to 2.0 percent for transactions valued between $5 million and $10 million, and from 1.5 percent to 2.5 percent for transactions valued over $10 million. This rate increase coupled with a rise in the number of commercial transactions over $5 million, significantly contributed to the revenue growth. An increase in parking tax revenue by approximately $6.3 million made up the remaining growth in the other local taxes.

Revenues from business, hotel, and sales taxes totaled approximately $783.2 million, a growth of $77.6 million over the prior year. Business taxes grew by $37.8 million due to an increase in average weekly wages in San Francisco, stronger growth in non-exempt business and improved taxpayer compliance with the implementation of online filing and payment. Hotel Room Tax increased by $23.1 million due to increased occupancy, and a rise in average daily room rates from $157 per room-night to $173 per room-night. Sales and Use Tax also increased by $16.7 million which reflected increases in third-party vehicle sales, collections from internet retail, strong tourism, and convention food service during the fiscal year.

Operating and capital grants and contributions reported a growth of $50.4 million. This was largely due to the increases from state sources, including $27.4 million for public works and $14.0 million for public protection. The growth in community health, culture and recreation, and general administration, and other programs were partly offset by the decrease in human welfare programs to a combined net increase of $9.0 million.

Total charges for services and other revenues increased $55.9 million, or 13.0 percent. Most service areas experienced an increase this year. This included solid waste impound fees, public safety service charges, correction service charges, planning and engineering services and development impact fees that totaled a net growth of $10.5 million. Affordable Housing program loan repayments increased by $19.0 million. Housing inclusionary fees were also higher this year due to a one-time refund of $11.4 million last fiscal year. In addition, the San Francisco County Transportation Authority received $26.6 million in repayments of prior-year expenditures from project sponsors returning Proposition K funds that were no longer needed to fund the projects. These increases were partially offset by a drop of $10.5 million in fines, forfeitures, and penalties this year. This decrease was caused by a one-time settlement payment received by the City last year.

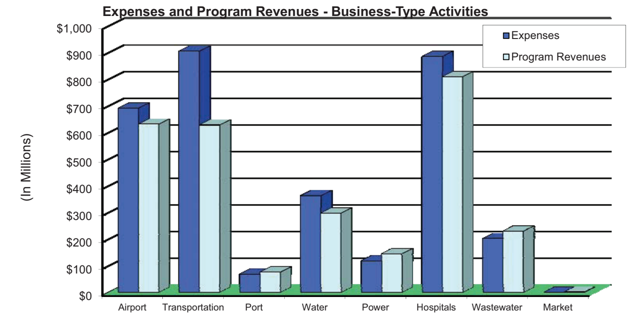
Interest and investment income revenue continued to fall this year, declining by $10.2 million, or 36.7 percent, primarily due to a drop in interest rates on the City's pooled investments. Those rates dropped from an estimated gross 1.38 percent to 1.24 percent over the year. As of June 30, 2011, 72.2 percent of the pooled investments will mature within 1 to 5 years compared to 80.5 percent last fiscal year. At the end of this fiscal year, deposits and investments with the City Treasury grew moderately by $329.8 million, or 7.75 percent. The majority of this increase was unspent revenue bond proceeds issued during the fiscal year to fund capital improvement projects in the Water Enterprise.

Net transfers from governmental activities to business-type activities were $337.1 million, a 22.6 percent or $98.7 million decrease from the prior fiscal year. The decrease was mainly from the two hospitals. General Hospital's transfer in was less due to a smaller General Fund subsidy of $60.0 million, made possible by additional American Recovery and Reinvestment Act grants and other federal and state funds for health care initiatives. The General Hospital, on the other hand, increased its transfer to the General Fund by $25.2 million as its share of support for increased payments to the State for hospital fees and

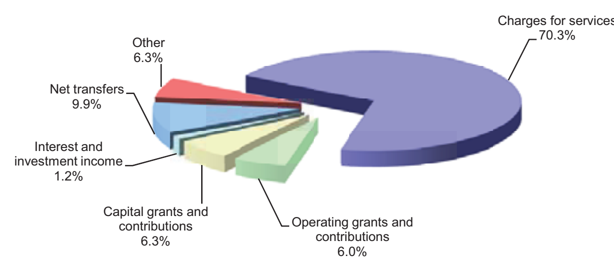
other programs. Laguna Honda Hospital project reimbursements from the other governmental funds were $37.6 million less than prior year as project expenditures were reduced as the project neared completion. Laguna Honda Hospital also transferred $10.4 million in tobacco settlement revenues to the General Obligation Bond Fund for payment on its debt. The hospitals' net reductions in transfers were partly offset by an $18.0 million increase to the General Fund's operating subsidy to MTA and a one-time General Fund $20.1 million transfer of capital and other assets to the Water Enterprise.

The moderate increase of total governmental expenses of $12.7 million or 0.4 percent was primarily due to increases in demand for the government's services in almost all functional areas by $53.0 million, which was partly offset by the decrease of expenses in human welfare and neighborhood service functions by $47.8 million. The reduction in aid payments and assistance, unfilled positions and other non-profit organization services contributed to this decrease. In addition, interest expense increased by $7.5 million.

The charts on page 10 illustrate expenses and program revenues by functional areas and revenues by source. As shown, public protection is the largest functional area (30.8 percent), followed by human welfare and neighborhood development (24.8 percent) and community health (17.2 percent). General revenues are not shown by program or function because they are used to support activities citywide. The distribution of these revenues shows property tax (32.9 percent) as the single largest funding source, followed by operating grants and contributions (25.6 percent), charges for services (10.5 percent), and business taxes (9.6 percent). This relative ranking is equivalent to the prior fiscal year and the actual percentage distributions showed only small differences.



Revenues By Source - Business-type Activities



Business-type activities increased the City's net assets by $176.6 million. Key factors contributing to this increase are:

- MTA had net assets of $1.96 billion at the end of the fiscal year. This total reflects an increase of $127.4 million, or 7.0 percent attributable to improvements in all revenue categories. Increased revenues account for $122.8 million of the $127.4 million, and operating expense savings contributed $0.5 million. The largest portion of the MTA's net assets reflects its investment in capital assets, net of related debt which totaled $1.98 billion. The remainder of the MTA's net assets is comprised of restricted net assets including deposits and investments with the City and receivables. The MTA's deficit unrestricted net asset balance, which improved by $64.3 million, is $41.3 million.
- Laguna Honda Hospital, the City's skilled nursing care hospital, increased net assets by $10.9 million or 2.1 percent this year. The increase is primarily related to $68.5 million of transfers from nonmajor governmental funds for the hospital's capital activities, which are supported by general obligation bonds and certificates of participation. The $68.5 million transfer in is partially offset by a transfer of $15.4 million from Laguna Honda Hospital to the General Fund to reimburse the General Fund for certain hospital capital outlay. Laguna Honda Hospital also received $15.0 million of capital contributions from Tobacco Settlement Funds to pay for construction. This net increase of $68.1 million was offset by $57.2 million in losses this year as compared to $61.4 million in losses in the prior year. Losses from operations were $58.4 million compared to $64.4 million in fiscal year 2009-10.
- General Hospital, the City's acute care hospital, ended the fiscal year with a net asset deficit of $70.9 million compared to a deficit of $41.9 million the prior year. Contributing to the General Hospital's decrease in net assets of $28.9 million or 69.0 percent was an overall increase in operating revenues of approximately $100 million or 21 percent, primarily attributable to increased gross patient service revenue and revenues from two new programs (Delivery Service Reform Incentive Pool and the provider fee program under AB 1383); exceeded by rising operating expenses of $28.5 million due primarily to increases in costs for contractual services; and decreases in net transfers in of $74.3 million. Transfers in and out will vary from year to year based upon the City's budget.
- Hetch Hetchy, which is composed of two segments: Hetch Hetchy Water upcountry operations and water system and Hetch Hetchy Power, had net assets at fiscal year end of $495.9 million, an increase of $39.5 million, or 8.7 percent over the prior year. Hetch Hetchy Water's net assets increased by $12.9 million from the prior year, while Hetch Hetchy Power's net assets increased by $26.6 million from the prior year. Hetch Hetchy Water's increase of net assets of $12.9 million was due to a transfer in of $13.6 million from the Public Utility Commission's Water Enterprise to finance improvements of certain upcountry water storage and transmission facilities offset by a loss of $1.0 million from operations, net of $0.3 million of nonoperating net revenue. Hetch Hetchy Power's total revenue increased by $12.0 million over the prior year, primarily due to higher electricity sales of $7.8 million.
- The City's Water Enterprise is the third largest municipal water agency in California. For the fiscal year 2010-11, it reported net assets of $396.3 million, a decrease of $19.4 million, or 4.7 percent from the prior year. While the Water Enterprise had $26.5 million of net operating income for the year, the primary reason for the decrease was interest expense of $100.9 million, which increased $53.6 million as a result of the issuance of revenue bonds and commercial paper. Aside from transfers to the City of $18.3 million, other activities, including net nonoperating revenues of $29.4 million, investment income of $17.3 million, and capital contributions of $18.3 mitigated the effect of the large increase in interest expense.
- The City's Wastewater Enterprise had total net assets of $1.06 billion at June 30, 2011. This increased from the prior year by $35.9 million or 3.5 percent. This was primarily due to current year net operating income of $50.1 million. Other activities included net nonoperating revenues of $6.5 million, investment income of $1.9 million, less interest expense of $22.5 million and transfers to the City of $0.1 million.

- Responsible for a seven and one-half mile stretch of waterfront land, the Port Commission's (Port) net assets increased by $8.3 million, or 2.8 percent, yielding total net assets of $309.5 million at the end of fiscal year 2010-11. Revenue is derived primarily from property rentals to commercial and industrial enterprises and a diverse mix of maritime operations. The Port's increase in net assets during the current year was mainly due to $5.7 million of net operating income and $3.0 million of capital contributions offset by a $0.4 million net nonoperating loss.
- The Airport's net assets increased by $2.4 million or 0.9 percent during the current year to a total of $291 million. Aviation revenues, concession revenues, parking revenues, and net sales and service revenues increased by $29.3 million from the prior year due to improved passenger traffic and was offset by increased operating expenses of $19.4 million for a net increase in $9.9 million in operating revenues. Interest expense of $195.9 million and $1.9 million in write-offs, loss on disposal, and other offset by $94.5 million of passenger facility charges and investment income resulted in a net decrease from nonoperating activities of $103.4 million. Further reduction to net assets was the result of $30.6 million in transfers to the City, offset by $24.0 million of capital contributions.

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. Unassigned and assigned 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 the current fiscal year, the City governmental funds reported combined fund balances of $1.13 billion, an increase of $128.5 million or 12.9 percent over the prior year. Of the total fund balance, $268.3 million is assigned and a negative $59.5 million is unassigned. This totaled to $208.8 million or 18.5 percent and constituted the fund balance that is accessible to meet the City's needs. Within these fund balance classifications, the General Fund had an assigned fund balance of $240.6 million. The remainder of the governmental funds fund balance includes $20.7 million "not in spendable form" for items that are not expected to be converted to cash such as inventories and long-term loans, $864.7 million restricted for programs at various levels and $33.4 million committed for other reserves.

The General Fund is the chief operating fund of the City. As of end of the fiscal year, assigned fund balance was $240.6 million while total fund balance reached $328.0 million. As a measure of liquidity, both assigned fund balance and total fund balance can be compared to total fund expenditures. Assigned fund balance represents 9.8 percent of total expenditures, while total fund balance represents 13.4 percent of the same amount. For the year, the General Fund's total revenues exceeded expenditures by $524.2 million, before transfers and other items of $388.0 million, resulting in total fund balance increasing by $136.2 million. Overall, the significant growth in revenues, particularly in real estate property transfer taxes, property tax, business taxes and hotel room tax coupled with the slight decrease in expenditures due to savings and management controls on spending resulted in the substantial fund balance improvement this fiscal year.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the business-type activities section of the government-wide financial statements, but in more detail.

At the end of the current fiscal year, the total unrestricted net assets for the Airport was $188.5 million, the Water Enterprise was $12.9 million, Hetch Hetchy Water and Power was $202.3 million, the Wastewater Enterprise was $42.0 million, the Port was $42.9 million and the Market Corporation was $4.7 million. In addition, the MTA, the San Francisco General Hospital and Laguna Honda Hospital had deficits in unrestricted net assets of $41.3 million, $123.5 million, and $60.2 million, respectively.

The following table shows actual revenues, expenses and results of operations for the current fiscal year in the City's proprietary funds (in thousands). As seen here, the total net assets for these funds increased by approximately $176.6 million due to current year operations. Reasons for this change are discussed in the previous section on the City's business-type activities.

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expense)	Capital Contributions and Others	Interfund Transfers, Net	Change In Net Assets
Airport	$ 607,323	$ 494,940	$ 112,383	$ (103,370)	$ 24,033	$ (30,608)	$ 2,438
Water	288,395	261,927	26,468	(54,214)	18,257	(9,937)	(19,426)
Hetch Hetchy	140,035	118,720	21,315	4,769	-	13,454	39,538
Municipal Transportation Agency	334,140	902,671	(568,531)	238,340	164,759	292,871	127,439
General Hospital	582,408	682,357	(99,949)	64,286	-	6,726	(28,937)
Wastewater Enterprise	229,216	179,084	50,132	(14,077)	-	(110)	35,945
Port	72,266	66,483	5,783	(426)	3,027	(82)	8,302
Laguna Honda Hospital	144,114	202,486	(58,372)	1,165	15,036	53,070	10,899
Market Corporation	1,655	1,152	503	(121)	-	-	382
Total	$ 2,399,552	$ 2,909,820	$ (510,268)	$ 136,352	$ 225,112	$ 325,384	$ 176,580

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 the current fiscal year, the net assets of the Retirement System, Health Services System and Retiree Health Care Trust combined totaled $15.63 billion, representing a $2.48 billion increase over the prior year, a 18.9 percent change. This increase is primarily a result of market increases and the net difference between contributions received by the funds and benefit payments made from the funds. The Investment Trust Fund's net assets were $448.4 million at year's end, compared to $582.6 million at the end of the previous fiscal year. This 23.0 percent decrease represents the increase in withdrawals over additions or distributions to external participants of the funds in the current year.

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 for changes in revenue estimates.

During the year, actual revenues and other resources were $160.3 million higher than budgeted. The City realized $77.0 million, $68.1 million and $48.7 million more revenue than budgeted in property taxes, real property transfer tax and business tax, respectively. These increases were partly offset by shortfalls in other financing sources and other resources. In addition, total state subvention revenues were $3.4 million better than budgeted. This $3.4 million consisted of a $39.5 million shortfall in health and mental health program revenue and a $42.9 million more revenue than budgeted in other state programs.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $83.7 million in expenditure savings. Major factors include:

- $39.2 million savings in the Human Services Agency due largely to lower than budgeted client assistance, aid payments, non-profit organization services, non-personnel services and personnel costs from unfilled positions.
- $19.7 million in savings in the Department of Public Health mainly in professional services expenditures and other savings that helped meet mid-year savings targets.
- $6.2 million in savings due to close-out of unspent General Reserve not used for supplemental appropriation or other contingencies during fiscal year 2010-11.
- $6.1 million savings mainly in Fire, Police, Sheriff and other departments in the public protection services for non-personnel services, contingency expenditures and services from other departments.
- The remaining lower than budgeted expenditures are savings from general administration and finance, other City responsibilities and transfers to other funds.

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 $168.5 million at the end of fiscal year 2010-11. The City's fiscal year 2011-12 Adopted Original Budget assumed an available balance of $159.4 million, and $9.1 million remains available. (See note 4 to the Basic Financial Statements for additional 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, 2011 increased by $1.02 billion, 7.7 percent, to $14.25 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 $136.6 million or 13.4 percent of the increase and business-type activities contributed the remaining $880.1 million or 86.6 percent increase. Details are shown in the table below.

Capital Assets, Net of Accumulated Depreciation
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 157,308	$ 155,512	$ 181,013	$ 179,652	$ 338,321	$ 335,164
Construction in progress	365,241	313,127	1,805,866	1,953,226	2,171,107	2,266,353
Facilities and Improvement	2,341,201	2,324,634	7,272,410	6,249,690	9,613,611	8,574,324
Machinery and equipment	53,187	52,504	801,021	809,949	854,208	862,453
Infrastructure	369,919	315,906	783,857	770,195	1,153,776	1,086,101
Property held under lease	-	-	15	24	15	24
Intangible assets	27,594	16,139	92,084	93,434	119,678	109,573
Total	$ 3,314,450	$ 3,177,822	$ 10,936,266	$10,056,170	$ 14,250,716	$ 13,233,992

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

- Under governmental activities, net capital assets increased by $136.6 million mainly due to the increase in construction in progress and completed assets at various branch libraries, park and recreational sites, various street and building improvement projects. Among the various city-wide parks, libraries, public works and traffic signal and building improvement projects, the General Hospital Rebuild Project which is recorded in governmental activities grew by $92.4 million during the fiscal year. $166.5 million in construction in progress was substantially completed and capitalized as facilities and improvement and infrastructure during the fiscal year. Of the completed projects, $43.4 million is for public library improvements and $40.0 million is for public works and traffic signal projects, and $23.7 million is for various parks and recreation centers such as the Palace of Fine Arts, Strybing Arboretum and other park and recreation improvement projects located throughout the City. Other completed projects include public works and traffic signal projects. Growth in construction-in-progress projects included park facilities, earthquake safety improvements, Moscone Center expansion, library renovations and other public works projects.

- The Water Enterprise's net capital assets increased by $615.5 million or 33.0 percent. Construction in progress on the enterprise's ten-year capital plan, including the Water System Improvement Program (WSIP), increased by $441.2 million or 56.0 percent. Major additions to construction work included the Bay Division Pipeline Reliability Upgrade, Irvington Tunnel alternatives, the new 525 Golden Gate Headquarters, the Bay Division Pipeline Reliability Upgrade, and other WSIP projects. The total estimated cost for the WSIP is $4.6 billion, including $4.1 billion for capital projects and $0.5 billion for net financing costs. The program is on target to meet an overall completion date of December 2015. During the fiscal year, there was an increase of $173.2 million or 16.4 percent in structures, buildings, equipment and intangible assets, and an increase of $1.1 million for the purchase of land. The Water Enterprise has incurred $80.9 million in construction costs for an office building located at 525 Golden Gate Avenue. The building is intended to consolidate divisions of the San Francisco Public Utilities Commission that are currently renting space at multiple locations in the Civic Center. Construction started in January 2010 with an expected completion date of June 2012.

- MTA's net capital assets increased $60.1 million or 3.1 percent, compared to the previous year, which was attributed to an increase in construction work for new and existing projects, such as phase II of the Third Street Light Rail Project, the rail replacement project, farebox collection modernization, with a corresponding increase in depreciation expense for existing assets. Construction costs of $10.6 million were incurred in fiscal year 2011 for the maintenance facility project at Islais Creek and Central Control and Communications Project.

- Laguna Honda Hospital's net capital assets increased $31.8 million or 6.2 percent due primarily to additional construction-in-progress on the capital project to rebuild the hospital. This work is principally funded by the Laguna Honda General Obligation Bonds and the Certificates of Participation issued by the City. During the fiscal year ended June 30, 2011, $530.3 million of construction in progress was placed into service.

- General Hospital's net capital assets increased $6.4 million or 12.2 percent, primarily due to increases in construction in progress on the capital project to rebuild the hospital. The hospital rebuild project was managed and financed by governmental activities. The total amount approved by the voters for the rebuild project is $887.4 million and total issued amount as of June 30, 2011 remained unchanged from the prior year at $426.3 million.

- The Wastewater Enterprise's net capital assets increased $42.9 million or 3.1 percent mainly in construction activities. These include the Sunnydale Sewer Improvements, Sewer Spot Replacements and other capital projects throughout the system. The Wastewater Enterprise also has incurred $15.4 million in its share of construction costs for the office building located at 525 Golden Gate Avenue as discussed earlier.

- Hetch Hetchy net capital assets increased $17.7 million or 6.2 percent during the year, resulting from increased construction activities. The enterprise saw increased construction in progress of $24.3 million offset by decreases of $6.3 million in facilities, improvements, machinery and equipment, and $0.4 million in intangible assets, net of depreciation. Included in the increased in Hetch Hetchy's construction in progress is its share of construction costs for the office building located at 525 Golden Gate Avenue as discussed earlier.

- The Airport's net capital assets increased $102.5 million or 2.8 percent largely due to major capital additions including Terminal 2 Boarding Area Renovations, Central Plant High Temperature Water System Improvements, Runway 28R-10L Overlay and Reconstruction, and Taxiways "A" and "B" Reconstruction.

- The Port's net capital assets increased by $2.8 million or 1.1 percent primarily in facilities and improvements that included installation of the Pier 27 Shore Power Facility, Pier 19 Roof Replacement, Pier 45 drainage improvements and Hyde Street Harbor Fuel Dock, as well as sidewalk, and pier substructure improvements.

At the end of the year, the City's business-type activities had approximately $1.5 billion in commitments for various capital projects. Of this amount, the Water Enterprise had an estimated $1.2 billion, MTA had $175.5 million, Wastewater had $82.9 million, Airport had $29.8 million, Hetch Hetchy had $26.9 million, Port had $16.5 million, Laguna Honda Hospital had $29.7 million, and the General Hospital had $1.0 million. In addition, there was approximately $87.4 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 the acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

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

Debt Administration

At the end of the current fiscal year, the City had total long-term and commercial paper debt outstanding of $10.97 billion. Of the total amount, $1.36 billion is general obligation bonds backed by the full faith and credit of the City and $9.61 billion is revenue bonds, loans, certificates of participation, capital leases, 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 $866.2 million or 8.6 percent during the fiscal year. The net increase in obligations in the business-type activities was $913.7 million due to issuance of revenue bonds and commercial paper by the Water Enterprise to fund various capital improvement projects. This net increase was partly offset by the decline of long-term debt in the governmental activities by $47.5 million.

The business-type activities issued a combined total of $1.26 billion revenue bonds, of which $155.4 million was for refunding and restructuring a portion of the Airport's long term debt, retiring its outstanding commercial paper notes and for cash flow savings. The Airport also issued $128.5 million of revenue bonds to retire commercial paper notes that had been issued to finance the Airport's capital projects. The San Francisco Water enterprise also issued a total of $979.4 million of revenue bonds to advance refund $35.1 million outstanding revenue bonds and to provide new money for the WSIP capital projects.

The City issued a total of $94.5 million in general obligation bonds, of which $79.5 million are to fund the improvement works for earthquake safety and emergency response and $15 million are for a loan program for seismic strengthening of privately-owned masonry buildings within the City. Lease revenue bonds for $14.7 million were issued through the City and County of San Francisco Finance Corporation to finance equipment purchase and $22.3 million to refund the emergency communication system bonds for savings in future debt services. The City also issued $138.4 million of refunding certificates of participation to take advantage of favorable interest rates to reduce debt payments.

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 taxable assessed value of property in the City – approximately $159.5 billion in value as of the close of the fiscal year. As of June 30, 2011, the City had $1.36 billion in authorized, outstanding property tax-supported general obligation bonds at par, which is equal to approximately 0.81 percent of gross (0.85 percent of net) taxable assessed value of property. As of June 30, 2011, there were an additional $1.16 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 1.51 percent of gross (1.58 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2011 were:

Moody's Investors Service, Inc.	Aa2
Standard & Poor's	AA
Fitch Ratings	AA-

During the fiscal year, Moody's Investors Service (Moody's) and Fitch Ratings downgraded the City's ratings from "Aa1" and "AA" to "Aa2" and "AA-" respectively, and revised the outlook from negative to stable. Standard & Poor's affirmed its ratings and revised the outlook from stable to negative for all the City's outstanding bonds.

The City's enterprise activities maintained their underlying debt ratings this fiscal year. Standard and Poor's affirmed the Airport's underlying credit ratings and subsequently upgraded the Airport from "A" to "A+" with a Stable Rating Outlook on June 30, 2011. Moody's and Fitch also affirmed their existing credit ratings of the Airport of "A1" and "A+" with Stable Rating Outlooks, respectively. The San Francisco Water Enterprise carried underlying ratings of "Aa2" and "AA" from Moody's and Standard & Poor's, respectively. The San Francisco Wastewater Enterprise carried underlying ratings of "Aa3" from Moody's and "AA-" from Standard & Poor's.

Subsequent to June 30, 2011, Moody's lowered its municipal bond rating on all outstanding Water Revenue Bonds. Additional information can be found in Note 17 to the Basic Financial Statements.

Additional information in the City's long-term debt can be found in Note 8 to the Basic Financial Statements.

Economic factors and next year's budget and rates

Despite the length and severity of the recession that struck the state and the nation in late 2007, San Francisco continued to fare better than the rest of California and saw the first sign of improvement in the economy. The following economic factors were considered in the City's fiscal year 2011-12 budget.

- Average unemployment for fiscal year 2010-11 was 9.2 percent down 0.3 percent from the fiscal year 2009-10. However, the San Francisco Metropolitan Division saw a job decline of 0.3 percent between July 2010 and July 2011.
- Housing prices and industry employment remained significantly below their pre-recession peaks, while residential and commercial rent, hotel revenues, and retail sales showed significant signs of recovery.
- The wage and salary employment base of San Francisco grew by 1.4 percent between December 2009 and December 2010. This growth compares with a 5.9 percent drop in employment between December 2008 and 2009, and suggests that San Francisco's employment picture has stabilized, but not fully recovered during 2010.
- The hotel sector saw significant growth in fiscal year 2010-11. Hotel room average occupancy rose remarkably to 81.1 percent. Average daily room rates grew substantially by 10.7 percent to $173 per room-night.
- The City's taxable sales have begun to grow rapidly, with fiscal year 2010-11 sales tax revenue was up 10.1 percent over fiscal year 2009-10. Both residential and commercial rents asking price rose in fiscal year 2010-11. However, average median home prices fell by an additional 1.7 percent in fiscal year 2010-11 versus the prior year.
- In April 2011, the Controller's Office, Mayor's Budget Office, and Board of Supervisors projected a $306 million General Fund shortfall. This projection assumed current service and staffing levels, and was primarily driven by the loss of one-time revenue included in the FY 2010-11 budget coupled with expected increases in employee benefit and other costs.
- The Mayor and Board of Supervisors approved a final FY 2011-12 budget in July 2011 which bridges this General Fund shortfall with a host of departmental expenditure reductions, deferral of projected increased funding for capital and other needs, improved revenue forecasts, the use of a higher than previously projected balance available from the prior year, and other actions.

CITY AND COUNTY OF SAN FRANCISCO

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below are the contacts for questions about this report or requests for additional financial information.

City and County of San Francisco
Office of the Controller
1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102-4694

Individual Department Financial Statements

San Francisco International Airport
Office of the Airport Deputy Director
Business and Finance Division
PO Box 8097
San Francisco, CA 94128

Port of San Francisco
Public Information Officer
Pier 1, The Embarcadero
San Francisco, CA 94111

San Francisco Water Enterprise
Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise
Chief Financial Officer
1155 Market Street, 11th Floor
San Francisco, CA 94103

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

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

Health Service System
Executive Director
1145 Market Street, Suite 200
San Francisco, CA 94103

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

San Francisco Employees' Retirement System
Executive Director
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

Component Unit Financial Statement

San Francisco Redevelopment Agency
One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Blended Component Units Financial Statements

San Francisco County Transportation Authority
Deputy Director for Administration and Finance
100 Van Ness Avenue, 26th Floor
San Francisco, CA 94102

San Francisco Finance Corporation
Office of Public Finance
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, CA 94102

WWW.SFGOV.ORG

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets

June 30, 2011

(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
ASSETS AND DEFERRED OUTFLOWS					
Assets:					
Current assets:					
Deposits and investments with City Treasury	$ 1,353,449	$ 1,114,318	$ 2,467,767	$ -	$ 2,648
Deposits and investments outside City Treasury	117,177	9,387	126,564	258,689	-
Receivables (net of allowance for uncollectible amounts of $126,939 for the primary government):					
Property taxes and penalties	53,221	-	53,221	9,582	-
Other local taxes	201,006	-	201,006	-	-
Federal and state grants and subventions	294,330	78,080	372,410	-	-
Charges for services	52,832	233,294	286,126	-	2,192
Interest and other	5,864	70,663	76,527	3,572	-
Capital lease receivable from primary government	-	-	-	16,085	-
Due from component unit	3,164	58	3,222	-	-
Inventories	-	75,570	75,570	-	-
Deferred charges and other assets	11,284	10,451	21,735	120	-
Restricted assets:					
Deposits and investments with City Treasury	-	147,470	147,470	-	-
Deposits and investments outside City Treasury	-	129,156	129,156	179,094	-
Grants and other receivables	-	12,303	12,303	3,393	-
Total current assets	2,092,327	1,880,750	3,973,077	470,535	4,840
Noncurrent assets:					
Loans receivable (net of allowance for uncollectible amounts of $530,590 and $336,502 for the primary government and component unit, respectively)	71,346	-	71,346	4,569	-
Advance to component units	24,502	4,027	28,529	-	-
Capital lease receivable from primary government	-	-	-	124,033	-
Deferred charges and other assets	22,737	69,396	92,133	16,307	-
Restricted assets:					
Deposits and investments with City Treasury	-	1,328,362	1,328,362	-	-
Deposits and investments outside City Treasury	77,505	666,179	743,684	-	-
Grants and other receivables	-	19,644	19,644	-	-
Property held for resale	-	-	-	6,081	-
Capital assets:					
Land and other assets not being depreciated	548,024	1,992,041	2,540,065	154,829	-
Facilities, infrastructure, and equipment, net of depreciation	2,766,426	8,944,225	11,710,651	150,474	-
Total capital assets	3,314,450	10,936,266	14,250,716	305,303	-
Total noncurrent assets	3,510,540	13,023,874	16,534,414	456,293	-
Total assets	5,602,867	14,904,624	20,507,491	926,828	4,840
Deferred outflows on derivative instruments	-	63,382	63,382	-	-
Total assets and deferred outflows	$ 5,602,867	$ 14,968,006	$20,570,873	$ 926,828	$ 4,840

Basic Financial Statements

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets (continued)
June 30, 2011
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
LIABILITIES					
Current liabilities:					
Accounts payable	$ 211,057	$ 167,102	$ 378,159	$ 10,766	$ 434
Accrued payroll	102,912	81,024	183,936	169	-
Accrued vacation and sick leave pay	71,916	49,624	121,540	1,240	-
Accrued workers' compensation	39,662	24,547	64,209	-	-
Estimated claims payable	34,889	36,972	71,861	-	-
Bonds, loans, capital leases, and other payables	306,767	342,627	649,394	49,483	-
Capital lease payable to component unit	16,085	-	16,085	-	.
Accrued interest payable	11,954	37,205	49,159	36,188	-
Unearned grant and subvention revenues	13,350	-	13,350	-	-
Due to primary government	-	-	-	3,188	34
Internal balances	12,517	(12,517)	-	-	-
Deferred credits and other liabilities	250,759	225,845	476,604	3,049	621
Liabilities payable from restricted assets:					
Bonds, loans, capital leases, and other payables	-	24,348	24,348	-	-
Accrued interest payable	-	30,191	30,191	-	-
Other	-	143,642	143,642	-	-
Total current liabilities	1,071,868	1,150,610	2,222,478	104,083	1,089
Noncurrent liabilities:					
Accrued vacation and sick leave pay	68,705	40,939	109,644	1,210	-
Accrued workers' compensation	183,166	123,639	306,805	-	-
Other postemployment benefits obligation	615,227	448,966	1,064,193	470	-
Estimated claims payable	91,155	61,465	152,620	-	-
Bonds, loans, capital leases, and other payables	2,136,658	8,014,877	10,151,535	1,082,453	-
Advance from primary government	-	-	-	15,334	13,195
Capital lease payable to component unit	124,033	-	124,033	-	-
Accrued interest payable	-	-	-	45,334	-
Deferred credits and other liabilities	1,776	66,732	68,508	3,606	-
Derivative instruments liabilities	-	68,304	68,304	-	-
Total noncurrent liabilities	3,220,720	8,824,922	12,045,642	1,148,407	13,195
Total liabilities	4,292,588	9,975,532	14,268,120	1,252,490	14,284
NET ASSETS					
Invested in capital assets, net of related debt, Note 2(k)	1,910,341	4,481,404	5,993,892	176,464	-
Restricted for:					
Reserve for rainy day	33,439	-	33,439	-	-
Debt service	36,805	62,421	99,226	61,507	-
Capital projects, Note 2(k)	82,315	161,580	223,694	-	-
Community development	59,763	-	59,763	-	-
Transportation Authority activities	1,386	-	1,386	-	-
Building inspection programs	32,112	-	32,112	-	-
Children and families	45,827	-	45,827	-	-
Grants and other purposes	155,152	18,741	173,893	-	-
Unrestricted (deficit), Note 2(k)	(1,046,861)	268,328	(360,479)	(563,633)	(9,444)
Total net assets (deficit)	$ 1,310,279	$ 4,992,474	$ 6,302,753	$ (325,662)	$ (9,444)

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, 2011
(In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets: Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
Primary government:									
Governmental activities:									
Public protection	$1,099,791	$ 62,105	$ 138,068	$ -	$ (899,618)	$ -	$ (899,618)	$ -	$ -
Public works, transportation and commerce	239,230	101,846	79,913	49,496	(7,975)	-	(7,975)	-	-
Human welfare and neighborhood development	885,194	56,628	521,029	-	(307,537)	-	(307,537)	-	-
Community health	613,883	64,419	277,484	917	(271,063)	-	(271,063)	-	-
Culture and recreation	318,083	76,528	2,915	7,306	(231,334)	-	(231,334)	-	-
General administration and finance	224,027	37,601	5,187	-	(181,239)	-	(181,239)	-	-
General City responsibilities	84,444	29,316	15,520	-	(39,608)	-	(39,608)	-	-
Unallocated interest on long-term debt	110,142	-	-	-	(110,142)	-	(110,142)	-	-
Total governmental activities	3,574,794	428,443	1,040,116	57,719	(2,048,516)	-	(2,048,516)	-	-
Business-type activities:									
Airport	690,875	607,323	-	24,033	-	(59,519)	(59,519)	-	-
Transportation	905,218	334,140	129,166	164,759	-	(277,153)	(277,153)	-	-
Port	68,661	72,266	557	3,027	-	7,189	7,189	-	-
Water	362,802	288,395	1,810	6,509	-	(66,088)	(66,088)	-	-
Power	119,282	140,035	4,730	-	-	25,483	25,483	-	-
Hospitals	885,294	726,522	67,408	15,036	-	(76,328)	(76,328)	-	-
Sewer	201,629	229,216	482	-	-	28,069	28,069	-	-
Market	1,152	1,655	-	-	-	503	503	-	-
Total business-type activities	3,234,913	2,399,552	204,153	213,364	-	(417,844)	(417,844)	-	-
Total primary government	$6,809,707	$2,827,995	$ 1,244,269	$ 271,083	(2,048,516)	(417,844)	(2,466,360)	-	-
Component units:									
San Francisco Redevelopment Agency	$ 246,956	$ 25,029	$ 13,135	$ 3,729				(205,063)	-
Treasure Island Development Authority	12,072	8,563	-	-				-	(3,509)
Total component units	$ 259,028	$ 33,592	$ 13,135	$ 3,729				(205,063)	(3,509)
General Revenues:									
Taxes:									
Property taxes					1,340,590	-	1,340,590	110,166	-
Business taxes					391,779	-	391,779	-	-
Sales and use tax					181,474	-	181,474	-	-
Hotel room tax					209,962	-	209,962	5,550	-
Utility users tax					91,683	-	91,683	-	-
Other local taxes					251,285	-	251,285	-	-
Interest and investment income					17,645	42,299	59,944	1,369	34
Other					58,524	214,993	273,517	6,489	3,670
Transfers - internal activities of primary government					(337,132)	337,132	-	-	-
Total general revenues and transfers					2,205,810	594,424	2,800,234	123,574	3,704
Change in net assets					157,294	176,580	333,874	(81,489)	195
Net assets (deficit) - beginning					1,152,985	4,815,894	5,968,879	(244,173)	(9,639)
Net assets (deficit) - ending					$ 1,310,279	$4,992,474	$6,302,753	$ (325,662)	$ (9,444)

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

CITY AND COUNTY OF SAN FRANCISCO

Balance Sheet – Governmental Funds

June 30, 2011
(with comparative total financial information as of June 30, 2010)
(In Thousands)

	General Fund 2011	General Fund 2010	Other Governmental Funds 2011	Other Governmental Funds 2010	Total Governmental Funds 2011	Total Governmental Funds 2010
ASSETS						
Deposits and investments with City Treasury	$ 386,246	$ 237,888	$ 938,304	$ 920,171	$ 1,324,550	$ 1,158,059
Deposits and investments outside City Treasury	860	203	116,317	144,786	117,177	144,989
Receivables (net of allowance for uncollectible amounts of $95,441 in 2011; $77,793 in 2010):						
Property taxes and penalties	45,278	57,785	7,943	8,539	53,221	66,324
Other local taxes	186,137	171,464	14,869	13,123	201,006	184,587
Federal and state grants and subventions	162,130	132,112	132,200	147,855	294,330	279,967
Charges for services	39,884	36,099	12,814	12,216	52,698	48,315
Interest and other	805	28,313	4,358	4,277	5,163	32,590
Due from other funds	27,833	36,930	8,753	11,410	36,586	48,340
Due from / advance to component unit	16,253	13,486	11,413	10,201	27,666	23,687
Loans receivable (net of allowance for uncollectible amounts of $530,590 in 2011; $519,720 in 2010)	-	-	71,346	72,294	71,346	72,294
Deferred charges and other assets	6,520	5,437	4,348	3,983	10,868	9,420
Total assets	$ 871,946	$ 719,717	$ 1,322,665	$ 1,348,855	$ 2,194,611	$ 2,068,572
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 89,882	$ 117,339	$ 115,476	$ 132,449	$ 205,358	$ 249,788
Accrued payroll	81,547	75,254	19,400	18,785	100,947	94,039
Deferred tax, grant and subvention revenues	116,330	117,925	66,184	70,043	182,514	187,968
Due to other funds	750	881	41,550	46,897	42,300	47,778
Deferred credits and other liabilities	255,431	216,540	112,976	118,339	368,407	334,879
Bonds, loans, capital leases, and other payables	-	-	167,519	155,035	167,519	155,035
Total liabilities	543,940	527,939	523,105	541,548	1,067,045	1,069,487
Fund balances:						
Nonspendable	20,501	14,874	192	192	20,693	15,066
Restricted	33,439	39,582	831,269	861,188	864,708	900,770
Committed	33,431	4,677	-	-	33,431	4,677
Assigned	240,635	132,645	27,622	27,493	268,257	160,138
Unassigned	-	-	(59,523)	(81,566)	(59,523)	(81,566)
Total fund balances	328,006	191,778	799,560	807,307	1,127,566	999,085
Total liabilities and fund balances	$ 871,946	$ 719,717	$ 1,322,665	$ 1,348,855	$ 2,194,611	$ 2,068,572

CITY AND COUNTY OF SAN FRANCISCO

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

June 30, 2011
(In Thousands)

Fund balances – total governmental funds	$ 1,127,566
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,308,318
Bond issue costs are not financial resources and, therefore, are not reported in the funds.	17,712
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(3,223,191)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(10,190)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the funds.	287,469
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 assets.	(197,405)
Net assets of governmental activities	$ 1,310,279

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2011
(with comparative total financial information for the year ended June 30, 2010)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2011	2010	2011	2010	2011	2010
Revenues:						
Property taxes	$ 1,090,776	$ 1,044,740	$ 289,580	$ 287,217	$ 1,380,356	$ 1,331,957
Business taxes	391,057	353,471	722	548	391,779	354,019
Sales and use tax	106,302	96,605	75,172	68,164	181,474	164,769
Hotel room tax	158,927	135,521	51,035	51,328	209,962	186,849
Utility users tax	91,683	94,537	-	-	91,683	94,537
Other local taxes	251,285	194,070	-	-	251,285	194,070
Licenses, permits and franchises	25,252	24,249	10,725	9,376	35,977	33,625
Fines, forfeitures and penalties	6,868	17,279	4,902	4,976	11,770	22,255
Interest and investment income	5,910	7,900	11,131	19,138	17,041	27,038
Rents and concessions	21,943	18,733	57,052	59,794	78,995	78,527
Intergovernmental:						
Federal	218,394	211,017	266,310	237,873	484,704	448,890
State	438,815	440,021	142,304	112,620	581,119	552,641
Other	29	36	31,988	7,361	32,017	7,397
Charges for services	146,631	138,615	111,384	104,513	258,015	243,128
Other	10,377	21,856	86,817	29,167	97,194	51,023
Total revenues	2,964,249	2,798,650	1,139,122	992,075	4,103,371	3,790,725
Expenditures:						
Current:						
Public protection	950,548	948,772	80,633	72,733	1,031,181	1,021,505
Public works, transportation and commerce	25,508	40,225	201,412	203,229	226,920	243,454
Human welfare and neighborhood development	610,063	632,713	260,028	285,588	870,091	918,301
Community health	493,939	473,280	101,283	108,112	595,222	581,392
Culture and recreation	99,156	94,895	211,236	208,239	310,392	303,134
General administration and finance	175,381	169,980	16,260	17,241	191,641	187,221
General City responsibilities	85,329	86,256	134	242	85,463	86,498
Debt service:						
Principal retirement	-	979	148,231	153,072	148,231	154,051
Interest and fiscal charges	93	32	101,623	89,914	101,716	89,946
Bond issuance costs	-	-	2,161	2,145	2,161	2,145
Capital outlay	-	-	214,817	182,448	214,817	182,448
Total expenditures	2,440,017	2,447,132	1,337,818	1,322,963	3,777,835	3,770,095
Excess (deficiency) of revenues over (under) expenditures	524,232	351,518	(198,696)	(330,888)	325,536	20,630
Other financing sources (uses):						
Transfers in	108,072	94,115	196,610	208,675	304,682	302,790
Transfers out	(502,378)	(559,263)	(128,247)	(181,086)	(630,625)	(740,349)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	232,965	393,010	232,965	393,010
Face value of loans issued	-	-	1,813	599	1,813	599
Premium on issuance of bonds	-	-	16,799	16,647	16,799	16,647
Payment to refunded bond escrow agent	-	-	(142,458)	-	(142,458)	-
Other financing sources-capital leases	6,302	3,733	13,467	17,013	19,769	20,746
Total other financing sources (uses)	(388,004)	(461,415)	190,949	454,858	(197,055)	(6,557)
Net change in fund balances	136,228	(109,897)	(7,747)	123,970	128,481	14,073
Fund balances at beginning of year	191,778	301,675	807,307	683,337	999,085	985,012
Fund balances at end of year	$ 328,006	$ 191,778	$ 799,560	$ 807,307	$ 1,127,566	$ 999,085

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, 2011
(In Thousands)

Net change in fund balances – total governmental funds	$ 128,481
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.	136,021
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 assets of the previous year exceeded expenses reported in the statement of activities that do not require the use of current financial resources.	(125,799)
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.	(39,766)
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.	5,341
Governmental funds report expenditures pertaining to the establishment of certain deferred credits related to long-term loans made. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding expense is not reported on the statement of activities.	(946)
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 assets. 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.	19,660
Bond issue costs are reported in the governmental funds when paid, and are capitalized and amortized in the statement of activities. This is the amount by which current year bond issue costs exceed amortization expense in the current period.	941
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 assets. This is the amount by which principal retirement exceeded bond and other debt proceeds in the current period.	55,911
Bond premiums are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net assets. This is the amount of bond premiums capitalized during the current period.	(16,799)
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 change in the accrual of arbitrage liabilities.	(2,367)
The net revenues of certain activities of internal service funds are reported with governmental activities.	(3,384)
Change in net assets of governmental activities	$ 157,294

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement – General Fund
Year Ended June 30, 2011
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	$ 99,552	$ 312,040	$ 312,040	$ -
Resources (Inflows):				
Property taxes	984,843	984,843	1,061,882	77,039
Business taxes	342,350	342,350	391,057	48,707
Other local taxes:				
Sales tax	98,029	98,029	106,302	8,273
Hotel room tax	157,222	157,222	158,927	1,705
Utility users tax	97,476	97,476	91,683	(5,793)
Parking tax	65,256	65,256	72,739	7,483
Real property transfer tax	110,487	110,487	178,546	68,059
Licenses, permits, and franchises:				
Licenses and permits	8,649	8,649	9,441	792
Franchise tax	14,593	14,593	15,811	1,218
Fines, forfeitures, and penalties	3,794	3,794	6,868	3,074
Interest and investment income	9,540	9,547	8,169	(1,378)
Rents and concessions:				
Garages - Recreation and Park	11,020	11,020	12,361	1,341
Rents and concessions - Recreation and Park	9,564	9,564	8,846	(718)
Other rents and concessions	1,763	1,763	2,196	433
Intergovernmental:				
Federal grants and subventions	236,610	227,983	211,276	(16,707)
State subventions:				
Social service subventions	102,133	102,018	113,790	11,772
Health / mental health subventions	139,204	139,027	99,528	(39,499)
Health and welfare realignment	138,150	138,150	143,225	5,075
Public safety sales tax	63,834	63,834	68,381	4,547
Motor vehicle in-lieu - county	1,711	1,711	5,328	3,617
Other grants and subventions	4,489	8,367	26,220	17,853
Allowance for state revenue reduction	(14,594)	-	-	-
Charges for services:				
General government service charges	45,402	45,402	45,579	177
Public safety service charges	21,291	21,381	22,657	1,276
Recreation charges - Recreation and Park	10,983	10,983	12,564	1,581
MediCal, MediCare and health service charges	68,406	67,677	63,275	(4,402)
Other financing sources:				
Transfers from other funds	114,157	119,027	107,068	(11,959)
Repayment of loan from Component Unit	785	785	-	(785)
Other resources (inflows)	20,677	30,929	8,459	(22,470)
Subtotal - Resources (Inflows)	2,867,824	2,891,867	3,052,178	160,311
Total amounts available for appropriation	2,967,376	3,203,907	3,364,218	160,311

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, 2011
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation	$ 11,011	$ 11,155	$ 10,855	$ 300
District Attorney	32,443	31,989	31,897	92
Emergency Communications	38,580	39,651	39,042	609
Fire Department	257,705	262,955	261,647	1,308
Juvenile Probation	31,705	28,863	28,137	726
Police Department	381,997	387,544	386,311	1,233
Public Defender	25,078	25,264	24,670	594
Sheriff	135,182	131,484	130,226	1,258
Superior Court	32,439	32,611	32,609	2
Subtotal - Public Protection	946,140	951,516	945,394	6,122
Public Works, Transportation and Commerce				
Board of Appeals	932	960	839	121
Business and Economic Development	7,363	8,088	8,011	77
General Services Agency - Public Works	18,694	16,715	16,294	421
Subtotal - Public Works, Transportation and Commerce	26,989	25,763	25,144	619
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	28,517	26,575	25,652	923
Commission on the Status of Women	3,288	3,280	3,220	60
County Education Office	78	78	78	-
Environment	1,254	1,896	1,811	85
Human Rights Commission	403	471	273	198
Human Services	621,487	614,649	575,439	39,210
Mayor - Housing/Neighborhoods	1,527	3,673	3,590	83
Subtotal - Human Welfare and Neighborhood Development	656,554	650,622	610,063	40,559
Community Health				
Public Health	519,319	513,625	493,939	19,686
Culture and Recreation				
Academy of Sciences	4,238	4,238	4,016	222
Art Commission	7,587	8,123	8,063	60
Asian Art Museum	7,103	7,116	6,677	439
Fine Arts Museum	11,052	11,448	11,428	20
Law Library	731	737	588	149
Recreation and Park Commission	66,799	68,381	67,911	470
Subtotal - Culture and Recreation	97,510	100,043	98,683	1,360

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, 2011
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder	$ 16,759	$ 15,864	$ 15,667	$ 197
Board of Supervisors	10,288	10,248	10,195	53
City Attorney	7,311	9,047	8,883	164
City Planning	19,583	20,285	20,285	-
Civil Service	495	514	514	-
Controller	11,792	19,669	18,756	913
Elections	8,617	9,760	9,760	-
Ethics Commission	4,685	5,879	5,801	78
General Services Agency - Administrative Services	52,155	48,282	48,246	36
General Services Agency - Telecomm. and Info. Services	1,338	1,958	1,857	101
Human Resources	9,255	11,707	10,654	1,053
Mayor	4,041	4,273	4,189	84
Retirement Services	580	542	541	1
Treasurer/Tax Collector	21,100	20,681	19,721	960
Subtotal - General Administration and Finance	167,999	178,709	175,069	3,640
General City Responsibilities				
General City Responsibilities	80,424	88,662	86,477	2,185
Other financing uses:				
Debt Service	1,187	93	93	-
Transfers to other funds	423,550	504,740	501,470	3,270
Budgetary reserves and designations	47,704	6,213	-	6,213
Total charges to appropriations	2,967,376	3,019,986	2,936,332	83,654
Total Sources less Current Year Uses	$ -	$ 183,921	$ 427,886	$ 243,965

Budgetary fund balance, June 30 before reserves and designations	$ 427,886
Reserves and designations made from budgetary fund balance, June 30	259,435
Net Available Budgetary Fund Balance, June 30	$ 168,451

Explanation of differences between budgetary inflows and outflows, and GAAP revenues and expenditures:

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	$ 3,364,218
Difference - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(312,040)
Property tax revenue - Teeter Plan net change from prior year	28,894
Change in unrealized gain/(loss) on investments	(242)
Interest earnings / charges from other funds assigned to General Fund as interest adjustment	(2,017)
Interest earnings from other funds assigned to General Fund as other revenues	1,920
Grants, subventions and other receivables received after 120-day recognition period	(7,956)
Pre-paid Lease Revenue, Civic Center Garage	(1,460)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(107,068)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - General Fund	$ 2,964,249
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	$ 2,936,332
Difference - budget to GAAP:	
Capital asset purchases funded under capital leases with Finance Corporation and other vendors	6,304
Recognition of expenditures for advances and imprest cash	(1,149)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(501,470)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - General Fund	$ 2,440,017

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets – Proprietary Funds
June 30, 2011
(with comparative total financial information as of June 30, 2010)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund				
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2011	Total 2010	Governmental Activities-Internal Service Funds 2011	Governmental Activities-Internal Service Funds 2010
ASSETS AND DEFERRED OUTFLOWS													
Assets:													
Current Assets:													
Deposits and investments with City Treasury	$ 336,063	$ 83,410	$ 194,996	$ 286,640	$ 44,161	$ 70,143	$ 98,905	$ -	$ -	$ 1,114,318	$ 1,042,117	$ 28,899	$ 29,655
Deposits and investments outside City Treasury	10	253	10	3,945	10	-	5	1	5,153	9,387	9,247	-	-
Receivables (net of allowance for uncollectible amounts of $31,498 and $27,041 in 2011 and 2010, respectively):													
Federal and state grants and subventions	-	626	636	75,361	309	245	903	-	-	78,080	56,398	-	-
Charges for services	35,542	79,336	11,654	5,218	39,183	33,737	2,978	25,636	10	233,294	232,656	134	67
Interest and other	903	4,694	206	2,116	62,593	36	115	-	-	70,663	48,914	701	931
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	18,984	19,455
Due from other funds	-	6,122	26,879	11,332	119	61	-	5,170	-	49,683	40,140	-	-
Due from component unit	-	-	-	58	-	-	-	-	-	58	-	-	-
Inventories	117	7,949	326	55,179	6,519	3,269	1,083	1,128	-	75,570	65,522	-	-
Deferred charges and other assets	2,031	-	3,262	2,710	-	-	2,418	-	30	10,451	8,278	-	-
Restricted assets:													
Deposits and investments with City Treasury	40,939	-	-	-	-	-	46,164	60,367	-	147,470	170,352	-	-
Deposits and investments outside City Treasury	53,081	72,797	-	-	-	-	3,264	-	14	129,156	113,186	-	-
Grants and other receivables	12,303	-	-	-	-	-	-	-	-	12,303	9,175	-	-
Total current assets	480,989	255,187	237,969	442,559	152,894	107,491	155,835	92,302	5,207	1,930,433	1,795,985	48,718	50,108
Noncurrent assets:													
Deferred charges and other assets	38,070	22,581	192	1,817	-	5,082	1,654	-	-	69,396	63,389	4,789	4,199
Capital leases receivable	-	-	-	-	-	-	-	-	-	-	-	261,683	265,321
Advance to component unit	-	-	4,027	-	-	-	-	-	-	4,027	4,227	-	-
Restricted assets:													
Deposits and investments with City Treasury	135,103	1,093,431	-	6,372	-	93,456	-	-	-	1,328,362	1,123,195	-	-
Deposits and investments outside City Treasury	297,582	285,366	12,192	10,895	17,074	41,554	-	1,223	293	666,179	661,888	77,505	89,553
Grants and other receivables	6,020	4,671	-	3,797	-	5,153	-	3	-	19,644	29,467	-	-
Capital assets:													
Land and other assets not being depreciated	86,617	1,248,065	65,862	313,033	25,599	131,432	118,326	914	2,193	1,992,041	2,136,147	-	88
Facilities, infrastructure, and equipment, net of depreciation	3,727,647	1,231,823	237,556	1,716,045	33,138	1,309,035	145,508	539,842	3,631	8,944,225	7,920,023	6,132	5,437
Total capital assets	3,814,264	2,479,888	303,418	2,029,078	58,737	1,440,467	263,834	540,756	5,824	10,936,266	10,056,170	6,132	5,525
Total noncurrent assets	4,291,039	3,885,937	319,829	2,051,959	75,811	1,585,712	265,488	541,982	6,117	13,023,874	11,938,336	350,109	364,598
Total assets	4,772,028	4,141,124	557,798	2,494,518	228,705	1,693,203	421,323	634,284	11,324	14,954,307	13,734,321	398,827	414,706
Deferred outflows on derivative instruments	63,382	-	-	-	-	-	-	-	-	63,382	89,505	-	-
Total assets and deferred outflows	4,835,410	4,141,124	557,798	2,494,518	228,705	1,693,203	421,323	634,284	11,324	15,017,689	13,823,826	398,827	414,706

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets – Proprietary Funds (continued)
June 30, 2011
(with comparative total financial information as of June 30, 2010)
(In Thousands)

	Business-type Activities - Enterprise Funds: Major Funds: San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Other Fund: San Francisco Market Corporation	Total 2011	Total 2010	Governmental Activities-Internal Service Funds 2011	Governmental Activities-Internal Service Funds 2010
LIABILITIES													
Current liabilities:													
Accounts payable	$ 22,725	$ 12,641	$ 13,629	$ 66,326	$ 28,406	$ 9,814	$ 3,350	$ 9,883	$ 328	$ 167,102	$ 167,718	$ 5,699	$ 10,481
Accrued payroll	10,743	7,678	2,252	27,327	18,986	4,634	1,723	7,681	-	81,024	75,003	1,965	1,907
Accrued vacation and sick leave pay	7,490	5,764	1,452	15,585	10,364	2,730	1,138	5,101	-	49,624	52,177	1,485	1,675
Accrued workers' compensation	942	1,324	358	14,998	3,740	645	374	2,166	-	24,547	25,533	156	160
Estimated claims payable	4,379	8,603	418	20,393	-	2,203	976	-	-	36,972	42,243	-	-
Due to other funds	-	13,638	3,250	1,768	1,670	3,564	511	12,765	-	37,166	31,037	6,803	9,665
Deferred credits and other liabilities	61,232	8,525	1,055	70,202	71,782	1,279	11,006	703	61	225,845	214,922	73,632	82,861
Accrued interest payable	-	28,747	164	110	-	7,343	841	-	-	37,205	22,982	1,764	1,935
Bonds, loans, capital leases, and other payables	111,412	194,050	422	3,405	942	31,604	775	17	-	342,627	220,030	17,545	17,580
Liabilities payable from restricted assets:													
Bonds, loans, capital leases, and other payables	24,348	-	-	-	-	-	-	-	-	24,348	159,877	-	-
Accrued interest payable	30,191	-	-	-	-	-	-	-	-	30,191	29,406	-	-
Other	24,264	105,398	669	1,166	-	11,312	-	833	-	143,642	138,257	-	-
Total current liabilities	297,726	386,368	23,669	221,280	135,890	75,128	20,694	39,149	389	1,200,293	1,179,185	109,049	126,264
Noncurrent liabilities:													
Accrued vacation and sick leave pay	7,148	5,811	1,138	11,496	7,728	2,466	1,008	4,144	-	40,939	38,473	1,559	1,531
Accrued workers' compensation	4,024	6,351	1,705	78,023	18,470	2,964	2,422	9,680	-	123,639	122,747	718	804
Other postemployment benefits obligation	60,537	60,314	11,221	126,459	115,232	20,873	10,706	43,624	-	448,966	348,287	12,906	10,614
Estimated claims payable	7,178	18,387	1,712	27,609	-	6,229	350	-	-	61,465	58,491	-	-
Deferred credits and other liabilities	-	517	1,340	25,334	-	725	38,682	-	134	66,732	77,683	-	-
Bonds, loans, capital leases, and other payables	4,099,523	3,267,118	21,105	43,397	22,236	523,537	37,954	7	-	8,014,877	7,088,228	264,988	267,980
Derivative instruments liabilities	68,304	-	-	-	-	-	-	-	-	68,304	94,838	-	-
Total noncurrent liabilities	4,246,714	3,358,498	38,221	312,318	163,666	556,794	91,122	57,455	134	8,824,922	7,828,747	280,171	280,929
Total liabilities	4,544,440	3,744,866	61,890	533,598	299,556	631,922	111,816	96,604	523	10,025,215	9,007,932	389,220	407,193
NET ASSETS													
Invested in capital assets, net of related debt	18,280	333,386	293,600	1,982,276	52,611	1,000,242	254,453	540,732	5,824	4,481,404	4,277,799	4,873	5,051
Restricted:													
Debt service	27,226	30,840	-	3,420	-	935	-	-	-	62,421	71,128	-	-
Capital projects	56,981	19,163	-	-	-	18,081	12,177	55,178	-	161,580	188,580	-	-
Other purposes	-	-	-	16,478	-	-	-	1,956	307	18,741	18,854	-	-
Unrestricted (deficit)	188,483	12,869	202,308	(41,254)	(123,462)	42,023	42,877	(60,186)	4,670	268,328	259,533	4,734	2,462
Total net assets (deficit)	$ 290,970	$ 396,258	$ 495,908	$ 1,960,920	$ (70,851)	$ 1,061,281	$ 309,507	$ 537,680	$ 10,801	$ 4,992,474	$ 4,815,894	$ 9,607	$ 7,513

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 Assets – Proprietary Funds
Year ended June 30, 2011
(with comparative total financial information for the year ended June 30, 2010)
(In Thousands)

	Business-type Activities - Enterprise Funds: Major Funds: San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Other Fund: San Francisco Market Corporation	Total 2011	Total 2010	Governmental Activities-Internal Service Funds 2011	Governmental Activities-Internal Service Funds 2010
Operating revenues:													
Aviation	$ 340,812	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 340,812	$ 330,846	$ -	$ -
Water and power service	-	271,387	139,780	-	-	-	-	-	-	411,167	376,714	-	-
Passenger fees	-	-	-	190,181	-	-	-	-	-	190,181	185,953	-	-
Net patient service revenue	-	-	-	-	571,365	-	-	143,502	-	714,867	595,385	-	-
Sewer service	-	-	-	-	-	220,586	-	-	-	220,586	202,363	-	-
Rents and concessions	109,574	9,388	255	6,060	2,708	-	55,056	-	-	183,041	173,190	-	-
Parking and transportation	91,633	-	-	103,475	-	-	15,105	-	-	210,213	196,683	-	-
Other charges for services	-	-	-	2,688	-	-	-	-	1,655	4,343	4,616	101,398	111,612
Other revenues	65,304	7,620	-	31,736	8,335	8,630	2,105	612	-	124,342	101,789	-	-
Total operating revenues	607,323	288,395	140,035	334,140	582,408	229,216	72,266	144,114	1,655	2,399,552	2,167,539	101,398	111,612
Operating expenses:													
Personal services	210,243	111,363	39,801	566,951	399,742	73,630	30,092	164,003	216	1,596,041	1,557,374	42,182	44,904
Contractual services	51,856	15,586	7,171	63,727	171,648	12,577	4,761	5,082	635	333,043	300,058	31,123	30,838
Light, heat and power	19,522	-	19,269	-	-	-	1,769	-	-	40,560	36,851	-	-
Materials and supplies	12,416	13,839	2,707	73,254	69,907	8,338	1,463	18,124	4	200,052	174,607	13,920	16,761
Depreciation and amortization	160,050	58,752	13,707	116,587	5,405	42,217	14,695	7,373	285	419,071	408,122	1,970	1,920
General and administrative	4,522	6,311	14,155	36,523	731	507	3,636	-	9	66,394	97,166	398	456
Services provided by other departments	11,818	46,308	5,425	51,306	34,924	32,689	14,412	7,904	-	204,786	210,988	5,777	5,706
Other	24,513	9,768	16,485	(5,677)	-	9,126	(4,345)	-	3	49,873	91,018	4,916	4,282
Total operating expenses	494,940	261,927	118,720	902,671	682,357	179,084	66,483	202,486	1,152	2,909,820	2,876,184	100,286	104,867
Operating income (loss)	112,383	26,468	21,315	(568,531)	(99,949)	50,132	5,783	(58,372)	503	(510,268)	(708,645)	1,112	6,745
Nonoperating revenues (expenses):													
Operating grants:													
Federal	-	1,810	4,730	17,436	-	482	557	3,019	-	28,034	44,451	-	-
State / other	-	-	-	111,730	64,389	-	-	-	-	176,119	138,121	-	-
Interest and investment income	15,386	17,283	2,185	3,080	26	1,927	1,508	898	6	42,299	44,471	6,482	7,315
Interest expense	(195,935)	(100,875)	(562)	(2,547)	(129)	(22,545)	(2,178)	(322)	-	(325,093)	(254,791)	(6,059)	(6,838)
Other, net	77,179	27,568	(1,584)	108,641	-	6,059	(313)	(2,430)	(127)	214,993	176,064	-	-
Total nonoperating revenues (expenses)	(103,370)	(54,214)	4,769	238,340	64,286	(14,077)	(426)	1,165	(121)	136,352	148,316	423	477
Income (loss) before capital contributions and transfers	9,013	(27,746)	26,084	(330,191)	(35,663)	36,055	5,357	(57,207)	382	(373,916)	(560,329)	1,535	7,222
Capital contributions	24,033	18,257	-	164,759	-	-	3,027	15,036	-	225,112	180,253	-	-
Transfers in	-	8,397	13,638	298,329	73,876	-	-	68,492	-	462,732	525,120	1,018	1,900
Transfers out	(30,608)	(18,334)	(184)	(5,458)	(67,150)	(110)	(82)	(15,422)	-	(137,348)	(89,296)	(459)	(165)
Change in net assets	2,438	(19,426)	39,538	127,439	(28,937)	35,945	8,302	10,899	382	176,580	55,748	2,094	8,957
Net assets (deficit) at beginning of year	288,532	415,684	456,370	1,833,481	(41,914)	1,025,336	301,205	526,781	10,419	4,815,894	4,760,146	7,513	(1,444)
Net assets (deficit) at end of year	$ 290,970	$ 396,258	$ 495,908	$ 1,960,920	$ (70,851)	$ 1,061,281	$ 309,507	$ 537,680	$ 10,801	$ 4,992,474	$ 4,815,894	$ 9,607	$ 7,513

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

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds
Year ended June 30, 2011
(with comparative total financial information for the year ended June 30, 2010)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund				
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2011	Total 2010	Governmental Activities-Internal Service Funds 2011	Governmental Activities-Internal Service Funds 2010
Cash flows from operating activities:													
Cash received from customers, including cash deposits	$ 618,003	$ 279,558	$ 140,683	$ 474,375	$ 576,651	$ 226,854	$ 11,921	$ 146,836	$ 1,653	$ 2,476,534	$ 2,226,599	$ 122,115	$ 134,361
Cash received from tenants for rent	-	8,853	255	-	2,708	755	60,889	-	-	73,460	67,563	-	-
Cash paid to employees for services	(194,424)	(94,332)	(36,061)	(538,524)	(373,178)	(66,721)	(27,408)	(153,190)	(260)	(1,484,098)	(1,445,369)	(40,082)	(42,412)
Cash paid to suppliers for goods and services	(137,885)	(64,874)	(61,124)	(241,924)	(278,963)	(53,310)	(29,033)	(32,185)	(500)	(899,798)	(877,247)	(84,083)	(71,046)
Cash paid for judgments and claims	-	(15,183)	(2,480)	(10,196)	-	(6,053)	-	-	-	(33,912)	(35,512)	-	-
Net cash provided by (used in) operating activities	285,694	114,022	41,273	(316,269)	(72,782)	101,525	16,369	(38,539)	893	132,186	(63,966)	(2,050)	20,903
Cash flows from noncapital financing activities:													
Operating grants	-	3,280	4,264	134,656	64,081	338	490	3,076	-	210,185	183,307	-	-
Transfers in	-	-	-	264,107	73,876	-	-	37,445	-	375,428	436,290	1,018	1,900
Transfers out	(30,608)	(17,834)	(184)	(5,458)	(67,150)	(110)	(82)	(5,053)	-	(126,479)	(88,821)	(459)	(165)
Transit Impact Development fees received	-	-	-	321	-	-	-	-	-	321	484	-	-
Other noncapital financing increases	2,102	-	9,224	2,905	258	-	-	-	-	14,489	26,278	-	-
Other noncapital financing decreases	-	-	(4,470)	(8,350)	-	-	(2,212)	(3,867)	-	(18,899)	(11,196)	-	-
Net cash provided by (used in) noncapital financing activities	(28,506)	(14,554)	8,834	388,181	71,065	228	(1,804)	31,601	-	455,045	546,342	559	1,735
Cash flows from capital and related financing activities:													
Capital grants and other taxes restricted for capital purposes	38,838	-	-	124,704	-	-	6,796	15,036	-	185,374	160,461	-	-
Transfers in	-	8,397	-	34,222	-	-	-	31,047	-	73,666	88,830	-	-
Transfers out	-	(500)	-	-	-	-	-	(10,369)	-	(10,869)	-	-	-
Bond sale proceeds and loans received	-	1,002,870	-	-	40	-	-	19	-	1,002,929	2,330,203	38,351	10,629
Proceeds from sale/transfer of capital assets	-	39	29	1,655	-	-	6	-	2	1,731	807	-	-
Proceeds from commercial paper borrowings	6,650	150,000	-	-	-	-	-	-	-	156,650	709,920	-	-
Proceeds from passenger facility charges	76,543	-	-	-	-	-	-	-	-	76,543	73,196	-	-
Acquisition of capital assets	(281,567)	(581,973)	(36,692)	(179,464)	(11,813)	(78,220)	(16,024)	(39,709)	(885)	(1,226,347)	(896,699)	(918)	(721)
Retirement of capital leases, bonds and loans	(134,800)	(59,365)	(422)	(3,260)	(792)	(40,968)	(760)	(32)	-	(240,399)	(221,935)	(42,429)	(19,127)
Retirement of commercial paper borrowings	-	-	-	-	-	-	-	-	-	-	(993,100)	-	-
Bond issue costs paid	-	(6,202)	-	-	-	(110)	-	-	-	(6,312)	(16,389)	(616)	(211)
Interest paid on debt	(215,452)	(146,156)	(984)	(2,378)	(200)	(26,180)	(2,508)	(322)	-	(394,180)	(295,094)	(6,171)	(6,942)
Other capital financing increases	-	21,882	284	18	71	3,596	-	2,821	-	28,672	2,906	426	-
Other capital financing decreases	-	-	-	-	-	-	(2,032)	-	(53)	(2,085)	(10,903)	(6)	-
Net cash provided by (used in) capital and related financing activities	(509,788)	388,992	(37,785)	(24,503)	(12,694)	(141,882)	(14,522)	(1,509)	(936)	(354,627)	932,203	(11,363)	(16,372)
Cash flows from investing activities:													
Purchases of investments with trustees	(2,682,281)	(667,310)	(27,863)	-	-	(145,021)	-	-	(377)	(3,522,852)	(2,915,876)	(43,199)	(34,098)
Proceeds from sale of investments with trustees	2,693,188	527,561	22,444	-	-	122,384	-	-	377	3,365,954	2,745,528	47,289	44,499
Interest and investment income	18,683	17,608	2,288	3,150	26	2,035	1,593	610	6	45,999	45,875	110	634
Other investing activities	-	-	-	-	-	-	-	-	-	-	1,596	(60)	(50)
Net cash provided by (used in) investing activities	29,590	(122,141)	(3,131)	3,150	26	(20,602)	1,593	610	6	(110,899)	(122,877)	4,140	10,985
Net increase (decrease) in cash and cash equivalents	(223,010)	366,319	9,191	50,559	(14,385)	(60,731)	1,636	(7,837)	(37)	121,705	1,291,702	(8,714)	17,251
Cash and cash equivalents-beginning of year	733,919	900,584	192,588	257,293	75,630	234,884	146,287	68,205	5,190	2,614,580	1,322,878	90,920	73,669
Cash and cash equivalents-end of year	$ 510,909	$ 1,266,903	$ 201,779	$ 307,852	$ 61,245	$ 174,153	$ 147,923	$ 60,368	$ 5,153	$ 2,736,285	$ 2,614,580	$ 82,206	$ 90,920

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds (continued)
Year ended June 30, 2011
(with comparative total financial information for the year ended June 30, 2010)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund				
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2011	Total 2010	Governmental Activities-Internal Service Funds 2011	Governmental Activities-Internal Service Funds 2010
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:													
Operating income (loss)	$ 112,383	$ 26,468	$ 21,315	$ (568,531)	$ (99,949)	$ 50,132	$ 5,783	$ (58,372)	$ 503	$ (510,268)	$ (708,645)	$ 1,112	$ 6,745
Adjustments for non-cash and other activities:													
Depreciation and amortization	160,050	58,752	13,707	116,587	5,405	42,217	14,695	7,373	285	419,071	408,122	1,970	1,920
Provision for uncollectibles	155	744	-	(7)	-	102	601	-	-	1,595	2,801	-	-
Write-off of capital assets	-	1,123	2,137	-	-	1,913	-	-	-	5,173	30,288	-	-
Other	3,490	-	197	109,806	-	-	-	65	-	113,558	112,169	-	-
Changes in assets/liabilities:													
Receivables, net	(5,588)	(2,629)	(189)	(4,018)	(16,276)	(2,028)	(233)	2,765	(2)	(28,198)	(33,049)	15,422	18,708
Due from other funds	-	13,614	659	-	(119)	(25)	-	(38)	-	14,091	950	-	-
Inventories	(31)	355	(39)	(3,508)	(318)	(23)	(70)	99	-	(3,535)	(1,753)	-	-
Deferred charges and other assets	(2,346)	-	(612)	(277)	-	751	(420)	-	-	(2,904)	(6,029)	-	-
Accounts payable	1,927	2,480	(646)	4,681	(1,435)	5,902	(941)	(1,136)	107	10,939	13,344	(5,159)	1,841
Accrued payroll	1,327	118	178	2,187	609	859	246	664	-	6,188	5,945	58	3
Accrued vacation and sick leave pay	310	(252)	11	(1,249)	214	137	185	557	-	(87)	550	(162)	(177)
Accrued workers' compensation	(73)	(419)	(5)	1,024	136	(537)	(159)	(61)	-	(94)	2,269	(90)	(63)
Other postemployment benefits obligation	14,256	14,716	2,749	26,466	25,606	4,795	2,438	9,653	-	100,679	100,640	2,292	2,729
Estimated claims payable	-	(2,750)	259	1,081	-	(2,677)	246	-	-	(3,841)	12,051	-	-
Due to other funds	-	-	-	(535)	-	(120)	(124)	-	-	(779)	(438)	(104)	(131)
Deferred credits and other liabilities	(166)	1,702	1,552	24	13,345	127	(5,878)	(108)	-	10,598	(3,181)	(17,389)	(10,672)
Total adjustments	173,311	87,554	19,958	252,262	27,167	51,393	10,586	19,833	390	642,454	644,679	(3,162)	14,158
Net cash provided by (used in) operating activities	$ 285,694	$ 114,022	$ 41,273	$ (316,269)	$ (72,782)	$ 101,525	$ 16,369	$ (38,539)	$ 893	$ 132,186	$ (63,966)	$ (2,050)	$ 20,903
Reconciliation of cash and cash equivalents to the statement of net assets:													
Deposits and investments with City Treasury:													
Unrestricted	$ 336,063	$ 83,410	$ 194,996	$ 286,640	$ 44,161	$ 70,143	$ 98,905	$ -	$ -	$ 1,114,318	$ 1,042,117	$ 28,899	$ 29,655
Restricted	176,042	1,093,431	-	6,372	-	93,456	46,164	60,367	-	1,475,832	1,293,547	-	-
Deposits and investments outside of City Treasury:													
Unrestricted	10	253	10	3,945	10	-	5	1	5,153	9,387	9,247	-	-
Restricted	350,663	358,163	12,192	10,895	17,074	41,554	3,264	1,223	307	795,335	775,074	77,505	89,553
Total deposits and investments	862,778	1,535,257	207,198	307,852	61,245	205,153	148,338	61,591	5,460	3,394,872	3,119,985	106,404	119,208
Less: Investments outside of City Treasury not meeting the definition of cash equivalents	(351,869)	(268,354)	(5,419)	-	-	(31,000)	(415)	(1,223)	(307)	(658,587)	(505,405)	(24,198)	(28,288)
Cash and cash equivalents at end of year on statement of cash flows	$ 510,909	$ 1,266,903	$ 201,779	$ 307,852	$ 61,245	$ 174,153	$ 147,923	$ 60,368	$ 5,153	$ 2,736,285	$ 2,614,580	$ 82,206	$ 90,920
Non-cash capital and related financing activities:													
Acquisition of capital assets on accounts payable and capital lease	$ 22,466	$ 105,398	$ 3,617	$ -	$ -	$ 11,312	$ 1,005	$ 8,335	$ 95	$ 152,228	$ 160,419	$ 8,244	$ 9,715
Tenant improvements financed by rent credits	-	-	-	-	-	-	-	-	-	-	2,015	-	-
Net capitalized interest	19,238	50,901	422	-	-	5,348	171	-	-	76,080	57,593	-	-
Improvements acquired from early termination of lease	-	-	-	-	-	-	-	-	-	-	924	-	-
Bond refunding	470,740	-	-	-	-	-	-	-	-	470,740	1,283,685	-	-
Interfund loan	-	-	3,250	-	-	2,872	-	-	-	6,122	10,347	-	-
Donated inventory	-	-	-	-	1,863	-	-	-	-	1,863	1,594	-	-
Capital contributions and other noncash capital items	-	18,257	-	-	-	-	198	-	-	18,455	-	-	-

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Assets – Fiduciary Funds
June 30, 2011
(In Thousands)

	Pension, Other Employee and Other Post-Employment Benefit Trust Funds	Investment Trust Fund	Agency Funds
ASSETS			
Deposits and investments with City Treasury	$ 86,572	$ 448,385	$ 103,745
Deposits and investments outside City Treasury:			
Cash and deposits	38,894	105	402
Short-term investments	726,811	-	-
Alternative investments	1,977,187	-	-
Debt securities	4,268,998	-	-
Equity securities	7,366,821	-	-
Real estate	1,266,863	-	-
Foreign currency contracts, net	(16,046)	-	-
Receivables:			
Employer and employee contributions	45,221	-	52,716
Brokers, general partners and others	60,566	-	-
Interest and other	49,121	-	152,043
Invested in securities lending collateral	892,579	-	-
Deferred charges and other assets	-	-	31,690
Total assets	16,763,587	448,490	$ 340,596
LIABILITIES			
Accounts payable	41,098	92	$ 75,758
Estimated claims payable	8,706	-	-
Agency obligations	-	-	264,838
Payable to brokers	126,903	-	-
Deferred Retirement Option Program liabilities	17,641	-	-
Payable to borrowers of securities	893,457	-	-
Deferred credits and other liabilities	40,895	-	-
Total liabilities	1,128,700	92	$ 340,596
NET ASSETS			
Held in trust for pension and other employee benefits and external pool participants	$ 15,634,887	$ 448,398	

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 Assets – Fiduciary Funds
Year ended June 30, 2011
(In Thousands)

	Pension, Other Employee and Other Post-employment Benefit Trust Funds	Investment Trust Fund
Additions:		
Employees' contributions	$ 308,279	$ -
Employer contributions	894,996	-
Contributions to pooled investments	-	2,371,629
Total contributions	1,203,275	2,371,629
Investment income/loss:		
Interest	208,968	5,351
Dividends	159,671	-
Net appreciation in fair value of investments	2,557,865	-
Securities lending income	5,697	-
Total investment income	2,932,201	5,351
Less investment expenses:		
Securities lending borrower rebates and expenses	436	-
Other investment expenses	(44,579)	-
Total investment expenses	(44,143)	-
Total additions, net	4,091,333	2,376,980
Deductions:		
Benefit payments	1,581,102	-
Refunds of contributions	11,548	-
Distribution from pooled investments	-	2,511,187
Administrative expenses	14,808	-
Total deductions	1,607,458	2,511,187
Change in net assets	2,483,875	(134,207)
Net assets at beginning of year	13,151,012	582,605
Net assets at end of year	$ 15,634,887	$ 448,398

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, 2011
(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 (SFCTA) – The voters of the City created SFCTA 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 SFCTA. The SFCTA is reported in a special revenue fund in the City's basic financial statements. Financial statements for the SFCTA can be obtained from their finance and administrative offices at 100 Van Ness Avenue, 26th Floor, San Francisco, CA 94102.

San Francisco City and County Finance Corporation (The 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 (MTA) 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 MTA administrative offices at 1 South Van Ness Avenue, 7th Floor, San Francisco, CA 94102.

Discretely Presented Component Units

San Francisco Redevelopment Agency (The Agency) – The Agency is a public body, corporate and politic, organized and existing under the Community Redevelopment Law of the State of California. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern it. The Agency has adopted as its mission the creation of affordable housing and economic development opportunities Citywide. Included in its financial data are the accounts of the San Francisco Redevelopment Financing Authority (SFRFA), a blended component unit of the Agency. The SFRFA is a separate joint-powers authority formed between the Agency and the City to facilitate the long-term financing of Agency activities. The Agency's governing commission serves as the Board of Directors of the SFRFA.

In May 2002, the Public Initiatives Development Corporation (PIDC) was formed to develop affordable housing on the Agency's behalf. The PIDC is reported as a blended component unit of the Agency, due to the Board of the PIDC being comprised of management of the Agency and other appointed individuals. Future funding will be dependent on the Agency.

The Agency's governing body is not substantively the same as that of the City, and the Agency does not provide services entirely or almost entirely to the City. The Agency is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the Agency through the appointment of the Agency's Board and the ability of the City to approve the Agency's budget. Disclosures related to the Agency, where significant, are identified separately throughout these notes. Complete financial statements can be obtained from the Agency's finance department at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

Treasure Island Development Authority (TIDA) – The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997 and designated as a redevelopment agency pursuant to Community Redevelopment Law of the State of California. 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 410 Palm Avenue, Building 1, Room 223, Treasure Island, San Francisco, CA 94130.

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 assets and the statement of changes in net assets) 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 are 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 120 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, grants and subventions, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

- The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

- The ***San Francisco International Airport Fund*** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.

- The ***San Francisco Water Enterprise Fund*** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.

- The ***Hetch Hetchy Water and Power Enterprise Fund*** accounts for the activities of Hetch Hetchy Water and Power 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 (MTA). The MTA was established by Proposition E, passed by the City's voters in November 1999. The MTA includes the San Francisco Municipal Railway (MUNI), San Francisco Municipal Railway Improvement Corporation (SFMRIC), and the operations of the Sustainable Streets (previously named as 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. SFMRIC is a nonprofit corporation established to provide capital financial assistance for the modernization of MUNI by acquiring, constructing, and financing improvements to 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 MTA. 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 ***San Francisco General Hospital Medical Center Fund*** accounts for the activities of the San Francisco General Hospital Medical Center (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 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, the City-owned skilled nursing facility which specializes in serving elderly and disabled residents.

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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (continued)
June 30, 2011
(Dollars in Thousands)

- 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 Post-Employment Benefit Trust Funds*** reflect the activities of the Employees' 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 before January 2015.

- 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 ***Agency Funds*** account for the resources held by the City in a custodial capacity on behalf of: the State of California, human welfare, community health, and transportation programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

(c) Budgetary Data

The City adopts annual budgets 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. 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 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 Employees' Retirement System and deposits and investments of the Redevelopment Agency 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, 2011, involuntary participants accounted for approximately 97.9% of the pool. Voluntary participants accounted for 2.1% 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, 2011, $448.4 million was held on behalf of these external participants. The total percentage share of the City's pool that relates to these four external participants is 9.8%. Internal participants accounted for 90.2% of the pool.

For reports on the external investment pool, contact the Office of the Treasurer, Room 140, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

Investment Valuation

Investments are carried at fair value, except for certain non-negotiable investments that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates, such as collateralized certificates of deposits and public time deposits. The fair value of investments is determined monthly and is based on current market prices. The fair value of participants' position in the pool approximates the value of the pool shares. The method used to determine the value of participants' equity is based on the book value of the participants' percentage participation. In the event that a certain fund overdraws its share of pooled cash, the overdraft is covered by the General Fund and a payable to the General Fund is established in the City's basic financial statements.

Employees' Retirement System (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. Investments 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 $987.2 million including $104.5 million in recourse debt at June 30, 2011. The underlying real estate holdings are valued periodically based on appraisals performed by independent appraisers in accordance with Uniform Standards of Professional Appraisal Practice (USPAP). 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.

Alternative investments represent the Retirement System's interest in limited partnerships. The fair values of alternative 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 sales 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.

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, 2011 was 87 days. For fiscal year 2011 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, 2011, the weighted average maturity of the reinvested cash collateral account was 26 days. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the related 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 assets 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 assets.

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.

Component Unit – San Francisco Redevelopment Agency (Agency) – The Agency pools deposits and investments, except for certain investments restricted for developers' deposits and pledged assets relating to specific projects. The Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2011. 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 of less than one year at the date of purchase) and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) are valued at the amortized cost, which approximates fair value as of June 30, 2011.

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, MTA, Laguna Honda Hospital, General Hospital Medical Center, 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, 2011, it was determined that $530.6 million of the $601.9 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 credit account. For purposes of the government-wide financial statements, long-term loans are not offset by deferred credit accounts.

(f) Inventory

Inventory recorded in the proprietary funds primarily consists 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) Redevelopment Agency Property Held for Resale

Property held for resale are both residential and commercial and are recorded as an asset 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 Agency, 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. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than $5 and an estimated useful life in excess of one year. Intangible assets have a capitalization threshold of $100. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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, except for Local 21 members, who are all entitled to accumulate all unused sick leave. Unused amounts accumulated prior to December 6, 1978 are vested and payable upon termination of employment by retirement or disability caused by industrial accident or death.

The City accrues for all salary-related items in the government-wide and proprietary fund financial statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay.

(j) Bond Issuance Costs, Premiums, Discounts and Interest Accretion

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. San Francisco International Airport's bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. The remaining bond premiums, discounts, and issuance costs are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance 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 and proprietary 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 a formal action of the City's highest level of decision-making authority, legislation 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 a body or official to which legislation has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

(Dollars in Thousands)

Fund balances for all the major and nonmajor governmental funds as of June 30, 2011, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmetnal Funds
Nonspendable			
Advances and Long Term Receivables	$ 20,501	$ -	$ 20,501
Gift Fund Principal	-	192	192
Total Nonspendable	20,501	192	20,693
Restricted			
Rainy Day	33,439	-	33,439
Public Works, Transportation & Commerce	-	48,170	48,170
Human Welfare & Neighborhood Development	-	130,499	130,499
Community Health	-	31,914	31,914
Culture & Recreation	-	96,437	96,437
General Administration & Finance	-	18,494	18,494
General City Responsibilities	-	767	767
Capital Projects	-	432,619	432,619
Debt Service	-	72,369	72,369
Total Restricted	33,439	831,269	864,708
Committed			
Budget Stabilization	27,183	-	27,183
Recreation and Parks Expenditure Savings	6,248	-	6,248
Total Committed	33,431	-	33,431
Assigned			
Public Protection	13,172	-	13,172
Public Works, Transportation & Commerce	7,943	14,143	22,086
Human Welfare & Neighborhood Development	27,213	3,232	30,445
Community Health	26,015	-	26,015
Culture & Recreation	2,443	4,673	7,116
General Administration & Finance	24,603	5,574	30,177
General City Responsibilities	23,234	-	23,234
Capital Projects	23,042	-	23,042
Litigation and Contingencies	44,900	-	44,900
Subsequent Year's Budget	48,070	-	48,070
Total Assigned	240,635	27,622	268,257
Unassigned	-	(59,523)	(59,523)
Total	$ 328,006	$ 799,560	$ 1,127,566

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. 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. 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 Rainy Day 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 Rainy Day 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 City may also spend up to 25 percent of the balance of the Rainy Day Reserve to help the San Francisco Unified School District in years when certain conditions are met. 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 2011-12 through 2015-16.

Budget Stabilization Reserve – The City sets aside as an additional reserve seventy-five 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 2011-12 through 2015-16.

Recreation and Parks Expenditure Savings Reserve – The City maintains a Recreation and Park Expenditure Savings Reserve under Charter Section 16.107, which set aside and maintain 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 this 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, 2011, encumbrances recorded in the General Fund and nonmajor governmental funds were $57.8 million and $257.4 million, respectively.

Restricted Net Assets

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Assets* – This category represents net assets that have 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, 2011, the government-wide statement of net assets reported restricted assets of

$446.8 million in governmental activities and $242.7 million in business-type activities. For governmental activities, $1.4 million is restricted by enabling legislation.

- *Unrestricted Net Assets* – This category represents net assets 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. 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 assets in the City's governmental activities. In accordance with GASB guidance, the City reclassified $418.1 million of unrestricted net assets of governmental activities, of which $397.9 million reduced net assets invested in capital assets, net of related debt and $20.2 million reduced net assets restricted for capital projects to reflect the total column of the primary government as a whole perspective.

Deficit Net Assets/Fund Balances

The Environmental Protection Fund, Public Protection Fund and Senior Citizens' Program Fund had deficits of $0.2 million, $0.7 million and $1.6 million, respectively, as of June 30, 2011. The deficits relate to increases of deferred tax, grant and subvention revenues on various programs, which are expected to be collected beyond 120 days of the end of fiscal year 2011. In addition, the Court's Fund had deficits of $0.9 million as of June 30, 2011, which are expected to be covered with future charges for services.

The San Francisco County Transportation Authority Fund had a $34.1 million deficit as of June 30, 2011. This condition exists because the SFCTA uses short-term debt financing to accelerate the delivery of sales tax funded projects that are owned and operated by other agencies. The negative fund balance will be covered as future sales tax revenues are realized.

The Moscone Convention Center Fund had a $20.6 million deficit as of June 30, 2011. The deficit will be covered as hotel tax revenues are realized and when long-term debt is issued to refinance the short-term commercial paper obligation.

The Central Shops Internal Service Fund had deficits in total net assets of $2.5 million as of June 30, 2011 mainly due to the other postemployment benefits liability accrued as per GASB Statement 45. The 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.

(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

Gains or losses occurring from advance refundings, completed subsequent to June 30, 1993, are deferred and amortized into expense for both business-type activities and proprietary funds. For

governmental activities, they are deferred and amortized into expense if they occurred subsequent to June 30, 2000.

(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) 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.

(q) Reclassifications

Certain amounts presented as 2009-10 Summarized Comparative Financial Information in the basic financial statements have been reclassified for comparative purposes to conform to the presentation in the 2010-11 basic financial statements. In addition, the fund balances of governmental funds have also been reclassified to conform to the presentation in effect after the implementation of GASB Statement No. 54.

(r) Effects of New Pronouncements

During fiscal year 2011, the City implemented the following accounting standards:

GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in March 2009. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additional disclosure concerning the implementation of GASB Statement No. 54 is above in note 2(k).

GASB issued Statement No. 59, *Financial Instruments Omnibus* in June 2010. This Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. Application of this Statement is effective for the City's fiscal year ended June 30, 2011. This standard did not have any effect on the City's financial statements.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* in December 2009. This Statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). Beginning June 30, 2012, the SFCTA will comply with GASB Statement No. 57 reporting requirements and perform OPEB actuarial valuations based on a common date.

(Dollars in Thousands)

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. Common examples of SCAs include long-term arrangements between a transferor (a government) and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. Application of this Statement is effective for the City's fiscal year ending June 30, 2013.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus. GASB Statement No. 61* is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet the needs of users and address reporting entity issues that have come to light since these statements were issued in 1991 and 1999, respectively. GASB Statement No. 61 improves the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units) and amends the criteria for blending – reporting component units as if they were part of the primary government – in certain circumstances. Application of this Statement is effective for the City's fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 64, *Derivatives Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2012.

(s) Restricted Assets

Certain proceeds of the City's enterprise and internal service fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets 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.

(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 assets

Total fund balances of the City's governmental funds, $1,127,566, differs from net assets of governmental activities, $1,310,279, reported in the statement of net assets. The difference primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental funds balance sheets.

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassi-fications and Eliminations	Statement of Net Assets Total
Assets					
Deposits and investments with City Treasury	$ 1,324,550	$ -	$ 28,899	$ -	$ 1,353,449
Deposits and investments outside City Treasury	117,177	-	77,505	-	194,682
Receivables, net:					
Property taxes and penalties	53,221	-	-	-	53,221
Other local taxes	201,006	-	-	-	201,006
Federal and state grants and subventions	294,330	-	-	-	294,330
Charges for services	52,698	-	134	-	52,832
Interest and other	5,163	-	701	-	5,864
Due from other funds	36,586	-	-	(36,586)	-
Due from/advances to component unit	27,666	-	-	-	27,666
Loans receivable, net	71,346	-	-	-	71,346
Capital assets, net	-	3,308,318	6,132	-	3,314,450
Deferred charges and other assets	10,868	17,712	5,441	-	34,021
Total assets	$ 2,194,611	$ 3,326,030	$ 118,812	$ (36,586)	$ 5,602,867
Liabilities					
Accounts payable	$ 205,358	$ -	$ 5,699	$ -	$ 211,057
Accrued payroll	100,947	-	1,965	-	102,912
Accrued vacation and sick leave pay	-	137,577	3,044	-	140,621
Accrued workers' compensation	-	221,954	874	-	222,828
Other postemployment benefits obligation	-	602,321	12,906	-	615,227
Estimated claims payable	-	126,044	-	-	126,044
Accrued interest payable	-	10,190	1,764	-	11,954
Deferred tax, grant and subvention revenues	182,514	(169,164)	-	-	13,350
Due to other funds/internal balances	42,300	-	6,803	(36,586)	12,517
Deferred credits and other liabilities	368,407	(116,501)	629	-	252,535
Bonds, loans, capital leases, and other payables	167,519	2,133,491	282,533	-	2,583,543
Total liabilities	1,067,045	2,945,912	316,217	(36,586)	4,292,588
Fund balances/net assets					
Total fund balances/net assets	1,127,566	380,118	(197,405)	-	1,310,279
Total liabilities and fund balances/net assets	$ 2,194,611	$ 3,326,030	$ 118,812	$ (36,586)	$ 5,602,867

(Dollars in Thousands)

(1) When capital assets (land, infrastructure, buildings, equipment, and intangible assets) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets, net of accumulated depreciation, among the assets of the City as a whole.

Cost of capital assets	$ 4,357,901
Accumulated depreciation	(1,049,583)
	$ 3,308,318

Bond issuance costs are expended in governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets. $ 17,712

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 assets.

Accrued vacation and sick leave pay	$ (137,577)
Accrued workers' compensation	(221,954)
Other postemployment benefits obligation	(602,321)
Estimated claims payable	(126,044)
Bonds, loans, capital leases, and other payables	(2,133,491)
Deferred credits and other liabilities	(1,804)
	$(3,223,191)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid. $ (10,190)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred tax, grant and subvention revenues	$ 169,164
Deferred credits and other liabilities	118,305
	$ 287,469

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

Net assets before adjustments	$ 9,607
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(280,667)
Deferred charges and other assets	652
Deferred credits and other liabilities	73,003
	$ (197,405)

In addition, intrafund receivables and payables among various internal service funds of $0.08 million are eliminated.

(b) Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds, $128,481, differs from the change in net assets for governmental activities, $157,294, 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.

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities

	Governmental Funds Totals	Long-term Revenues/ Expenses (3)	Capital-related Items (4)	Internal Service Funds (5)	Long-term Debt Transactions (6)	Statement of Activities Totals
Revenues						
Property taxes	$ 1,380,356	$ (39,766)	$ -	$ -	$ -	$ 1,340,590
Business taxes	391,779	-	-	-	-	391,779
Sales and use tax	181,474	-	-	-	-	181,474
Hotel room tax	209,962	-	-	-	-	209,962
Utility users tax	91,683	-	-	-	-	91,683
Other local taxes	251,285	-	-	-	-	251,285
Licenses, permits and franchises	35,977	136	-	-	-	36,113
Fines, forfeitures and penalties	11,770	109	-	-	-	11,879
Interest and investment income	17,041	330	-	274	-	17,645
Rents and concessions	78,995	4,479	-	-	-	83,474
Intergovernmental:						
Federal	484,704	(7,488)	-	-	-	477,216
State	581,119	8,725	-	-	-	589,844
Other	32,017	(199)	-	-	-	31,818
Charges for services	258,015	(263)	-	-	-	257,752
Other revenues	97,194	(488)	-	-	-	96,706
Total revenues	4,103,371	(34,425)	-	274	-	4,069,220
Expenditures/Expenses						
Expenditures:						
Public protection	1,031,181	58,248	14,068	(3,706)	-	1,099,791
Public works, transportation and commerce	226,920	11,988	1,915	(1,593)	-	239,230
Human welfare and neighborhood development	870,091	14,629	474	-	-	885,194
Community health	595,222	17,751	910	-	-	613,883
Culture and recreation	310,392	11,070	31,486	(15,205)	(19,660)	318,083
General administration and finance	191,641	13,017	18,195	1,174	-	224,027
General City responsibilities	85,463	42	-	(2,281)	1,220	84,444
Debt service:						
Principal retirement	148,231	-	-	-	(148,231)	-
Interest and fiscal charges	101,716	-	-	6,059	2,367	110,142
Bond issuance costs	2,161	-	-	-	(2,161)	-
Capital outlay	214,817	-	(214,817)	-	-	-
Total expenditures/expenses	3,777,835	126,745	(147,769)	(15,552)	(166,465)	3,574,794
Other financing sources (uses)/changes in net assets						
Net transfers (to)/from other funds	(325,943)	-	(11,748)	559	-	(337,132)
Issuance of bonds and loans:						
Face value of bonds issued	232,965	-	-	-	(232,965)	-
Face value of loans issued	1,813	-	-	-	(1,813)	-
Premium on issuance of bonds	16,799	-	-	-	(16,799)	-
Payment to escrow for refunded debt	(142,458)	-	-	-	142,458	-
Other financing sources - capital leases	19,769	-	-	(19,769)	-	-
Total other financing sources (uses)/changes in net assets	(197,055)	-	(11,748)	(19,210)	(109,119)	(337,132)
Net change for the year	$ 128,481	$ (161,170)	$ 136,021	$ (3,384)	$ 57,346	$ 157,294

(Dollars in Thousands)

(3) Property tax revenues must be collected within 60 days to be recognized as current economic resources. These cash collections were greater than the property tax revenues recognized under the full accrual method of accounting because prior year deferred revenues exceeded current year deferrals under the 60-day rule.	$ (39,766)
Certain 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.	5,341
	$ (34,425)
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 assets 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.	$ (125,799)
Some expenditures reported in the governmental funds pertain to the establishment of deferred credits on long-term loans since the loans are not considered "available" to pay current period expenditures. The deferred credits are not reported in the statement of net assets and, therefore, the related expenditures are not reported in the statement of activities.	(946)
	$ (126,745)

(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 assets decrease by the amount of depreciation expense charged for the year and the loss on disposal of capital assets.

Capital expenditures	$ 244,663
Depreciation expense	(89,628)
Loss on disposal of capital assets	(2,804)
Transfer of asset to enterprise fund	(11,748)
Write off construction of progress	(4,462)
Difference	$ 136,021

(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.	$ (3,384)

(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 assets 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	$ 19,660

Bond issuance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities.

Bond issuance costs	$ 2,161
Amortization of bond issuance costs	(1,220)
Difference	$ 941

Bond premiums are reported in the governmental funds when the bonds are issued, and are capitalized in the statement of net assets. This is the amount of premiums capitalized during the current period.	$ (16,799)

Repayment of bond principal is reported as expenditures in governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole however, the principal payments and payment to escrow for refunded debt reduce the liabilities in the statement of net assets 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 debt was refunded.

Principal payments made	$ 148,231
Payment to escrow for refunded debt	142,458
	290,689

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 assets and do not affect the statement of activities. Proceeds were received from:

General obligation bonds	(94,520)
Certificates of participation refunding	(138,445)
Loans	(1,813)
	(234,778)
	$ 55,911

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, (2) amortization of bond discounts, premiums and refunding losses are not expended within the fund statements, and (3) additional interest expense was recognized on the accrual of an arbitrage rebate liability which will not be recognized in the governmental funds until the liability is due and payable.

Decrease in accrued interest	$ 555
Interest payment on capital lease obligations on the Moscone Convention Center	(7,979)
Amortization of bond premiums, discounts and refunding losses	3,576
Decrease in arbitrage rebate liability	1,481
	$ (2,367)

(Dollars in Thousands)

(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 120-day availability period and other assets not available for budgetary appropriation.

The fund balance of the General Fund as of June 30, 2011 on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis	$ 427,886
Unrealized Gains/ (Losses) on Investments	1,610
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis	(43,072)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis	(63,898)
Deferred amounts on loan receivables	(13,561)
Pre-paid lease revenue	(1,460)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation)	20,501
Fund Balance - GAAP basis	$ 328,006

General Fund budget basis fund balance as of June 30, 2011 is composed of the following:

Not available for appropriations:		
Restricted Fund Balance:		
Rainy Day - Economic Stabilization Reserve	$ 33,439	
Committed Fund Balance:		
Budget Stabilization Reserve	27,183	
Recreation and Parks Expenditure Saving Reserve	6,248	
Assigned for Encumbrances	57,846	
Assigned for Appropriation Carryforward	73,984	
Assigned for Subsequent Years' Budgets:		
Budget Savings Incentive Program City-wide	8,684	
Salaries and benefits costs (MOU)	7,151	
Subtotal		$ 214,535
Available for appropriations:		
Assigned for Litigation and Contingences	44,900	
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2011-12	159,390	
Unassigned - Available for future appropriations	9,061	
Subtotal		213,351
Fund Balance, June 30, 2011 - Budget basis		$ 427,886

(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

Total City cash, deposits and investments, at fair value, are as follows:

	Primary Government				Component Units
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	
Deposits and investments with City Treasury	$ 1,353,449	$ 1,114,318	$ 638,702	$ 3,106,469	$ 2,648
Deposits and investments outside City Treasury	117,177	9,387	15,630,035	15,756,599	258,689
Restricted assets:					
Deposits and investments with City Treasury	-	1,475,832	-	1,475,832	-
Deposits and investments outside City Treasury	77,505	795,335	-	872,840	179,094
Invested securities lending collateral	-	-	892,579	892,579	-
Total deposits & investments	$ 1,548,131	$ 3,394,872	$ 17,161,316	$ 22,104,319	$ 440,431
Cash and deposits				$ 588,641	$ 46,269
Investments				21,515,678	394,162
Total deposits and investments				$ 22,104,319	$ 440,431

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 fair value of pledged securities must equal at least 110% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i) of the City's deposits. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name.

(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 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.

Although the California Government Code does not limit the amount of City funds that may be invested in federal agency instruments, the City's investment policy requires that investments in federal agencies should not exceed 70 percent of the total portfolio at the time of purchase. The investment policy also 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.

(Dollars in Thousands)

The table below identifies the investment types that are authorized by the City's investment policy dated January 2011. The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portolio	Maximum Investment in One Issuer
U.S. Treasuries	5 years	100%	100%
Federal Agencies	5 years	70% *	30%
Temporary Liquidity Guarantee Program (TLGP)	5 years	30%	None
State and Local Government Agency Obligations	5 years	20%	5% *
Public Time Deposits	13 months *	None	None
Negotiable Certificates of Deposit	None	30%	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	10% *
Medium Term Notes	13 months *	15%	10%
Repurchase Agreements	30 days *	None	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	$75 million
Money Market Funds	N/A	None	N/A
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.

Airport's Forward Purchase and Sale Agreements **-** *Objective and Terms* - The Airport's independent Trustee invests a portion of the Airport's debt service fund deposits and debt service reserve funds according to three Forward Purchase and Sale Agreements (FPSAs), which lock in a guaranteed earnings rate on these investments of 3.450% - 4.329%.

All investments under the FPSAs are made with the intention that securities will be held to maturity, and all are invested only in eligible securities pursuant to the California Government Code and as defined by the Airport's 1991 Master Bond Resolution. The securities under the FPSAs always mature in an amount equal to the par amount of Airport funds initially invested, plus accrued interest at the agreed upon guaranteed interest rate. These investments are scheduled to mature upon each scheduled debt service payment date on the associated bonds.

The Trustee holds the securities on behalf of the Airport and the FPSAs have absolutely no rights, title or interest in the securities being sold to the Airport. Therefore, the Airport bears no counterparty risk associated with the investment provider. In the unlikely event the provider of the FPSAs would no longer exist or fail to perform, the Airport will have preserved its principal and can invest in alternative investments available at that time.

If the Airport's needs so dictate, the Airport may sell the securities at any time prior to their maturities in the open market and use the proceeds of such sale for the permitted purposes of the applicable fund. The securities are recorded at their fair value as of June 30, 2011 and not at the guaranteed interest rate that the Airport will receive upon maturity. As of June 30, 2011, the accrued interest was recorded in the interest receivable account.

Employees' Retirement System

The Retirement System's investments are invested pursuant to investment policy guidelines as established by the Retirement Board. The objective of the policy is to maximize the expected return of the fund at an acceptable level of risk. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified.

Investment managers are required to diversify by issue, maturity, sector, coupon, and geography. Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from the Retirement Board. The Retirement System invests in securities with contractual cash flows, such as asset backed securities, commercial mortgage backed securities and collateralized mortgage obligations. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be affected by shifts in the market's perception of the issuers and changes in interest rates.

The investment policy permits investments in domestic and international debt and equity securities; real estate; securities lending; foreign currency contracts, derivative instruments, and alternative investments, which include investments in a variety of commingled partnership vehicles.

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 separate account is authorized to use repurchase arrangements. As of June 30, 2011, $255 million (or 28.6% of cash collateral) consisted of such agreements.

San Francisco Redevelopment Agency

The investment policy of the Redevelopment Agency is governed by Article 2 of the California Government Code (Code). Investment of bond proceeds is limited to those investments permitted in the bond document or provided in the Code. The Agency's Investment Policy is more restrictive than the California Government Code in the following areas: 1) reverse repurchase agreements, which requires the specific approval of the Agency Commission; 2) commercial paper, which the maximum maturity is 180 days; and 3) investment in corporate notes may not exceed 15% of the Agency's portfolio.

Certain investments of the Agency are in the Local Agency Investment Fund (LAIF). LAIF is sponsored by the State Treasurer and prepares its market value report detailing the carrying cost and the estimated fair value for the entire pool. The Agency has used a multiplier provided by LAIF to determine estimated fair values. In addition, the Agency has investments with trustees. These investments are restricted by various bond covenants and are pledged for payment of principal, interest and specified capital improvements.

(Dollars in Thousands)

(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 Employees' Retirement System's interest rate risk information is discussed in section (e) of this note.

			Investment Maturities		
	S & P Rating	Fair Value	Less than 1 year	1 to 5 years	5 to 10 years
Primary Government:					
Investments in City Treasury:					
U.S. Treasury Notes	AAA	$ 452,805	$ 150,390	$ 302,415	$ -
U.S. Agencies - Coupon	AAA	2,653,328	167,938	2,485,390	-
Temporary Liquidity Guarantee Program	AAA	731,651	604,194	127,457	-
Negotiable certificates of deposits	A-1/A+	175,176	150,078	25,098	-
Commercial paper	A-1	49,978	49,978	-	-
Public time deposits	n/a	10,100	10,100	-	-
Money Market Mutual funds	AAAm	2,283	2,283	-	-
Less: Treasure Island Development Authority					-
Investments with City Treasury	n/a	(2,648)	(2,648)	-	-
Subtotal investments in City Treasury		4,072,673	$ 1,132,313	$ 2,940,360	$ -
Investments Outside City Treasury:					
(Governmental and Business - Type)					
U.S. Treasury Notes	AAA	120,193	$ 71,622	$ 19,936	$ 28,635
U.S. Agencies - Coupon	AAA	56,485	25,573	30,912	-
U.S. Agencies - Discount	AAA	542,329	413,231	129,098	-
Corporate notes	AAA	21,322	21,322	-	-
Money Market Mutual funds	AAAm	190,083	190,083	-	-
Guranteed Investment Contract	A+	15,958	-	15,958	-
Commercial Paper	A-1	13,239	13,239	-	-
Certificate of Deposit	n/a	183	183	-	-
Subtotal investments outside City Treasury		959,792	$ 735,253	$ 195,904	$ 28,635
Employees' Retirement System investments		16,483,213			
Total Primary Government		21,515,678			
Component Units:					
Redevelopment Agency:					
U.S. Treasury Bills	N/A	54,992	$ 54,992	$ -	$ -
U.S. Agencies - Discount	AAA	61,698	61,698	-	-
Commercial paper	A-1	50,965	50,965	-	-
State Local Agency Investment Fund	n/a	10,507	10,507	-	-
Money market mutual funds	AAAm	213,352	213,352	-	-
Subtotal with Redevelopment Agency		391,514	$ 391,514	$ -	$ -
Treasure Island Development Authority:					
Investments with City Treasury	n/a	2,648	$ 2,648	$ -	$ -
Subtotal Treasure Island Development Authority		2,648	$ 2,648	$ -	$ -
Total Components Units		394,162			
Total Investments		$ 21,909,840			

On August 5, 2011, Standard & Poor's ratings service downgraded the United States' long-term rating from AAA to AA+. As a consequence, Standard & Poor's subsequently downgraded all Standard & Poor's-rated securities backed by the full faith and credit of the United States government, its agencies and instrumentalities from AAA to AA+. As of June 30, 2011, the investments in the City Treasury had a weighted average maturity of 843 days.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency's investment policy limits investments to securities with short maturities, such as the following:

- The maximum maturity of commercial paper is 180 days. Investment in commercial paper will comprise not more than 25% of the Agency's portfolio.
- The maximum maturity of bankers' acceptance is 180 days.
- The maximum maturity of corporate notes is five years. Investment in corporate notes may not exceed 15% of the Agency's portfolio.

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.

As a means of limiting its exposure to credit risk, the Agency's investment policy limits investments to high-quality securities with an investment grade of A-1/P-1 or better for commercial paper and AAAm for money market mutual funds, as well as maintaining a portfolio diversified by type and issuer.

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.

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, 2011, the City Treasurer has investments in U.S. Agencies that represent 5% or more of the total Pool in the following:

Federal Home Loan Bank	19.6%
Federal National Mortgage Association	18.5%
Federal Farm Credit Bank	13.3%
Federal Home Loan Mortgage Corporation	11.2%
General Electric Capital Corp. (TLGP)	5.2%

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, 2011:

Airport:	
Federal Home Loan Mortgage Corporation	56.4%
Federal Home Loan Bank	30.4%
Federal National Mortgage Association	13.2%

Water Enterprise:	
Federal Home Loan Mortgage Corporation	27.4%
Federal National Mortgage Association	11.1%
Hetch Hetchy:	
Federal National Mortgage Association	30.4%
Federal Home Loan Bank	10.5%
Federal Home Loan Mortgage Corporation	8.2%
San Francisco General Hospital:	
Federal Home Loan Bank	20.5%
Wastewater Enterprise:	
Federal Home Loan Mortgage Corporation	42.9%
Federal National Mortgage Association	17.4%
Federal Home Loan Bank	6.0%
Redevelopment Agency:	
Federal Home Loan Bank	14.9%
Federal Home Loan Mortgage Corporation	14.1%
General Electric Capital Corporation	9.4%
Archer Daniels Midland	9.4%
Colgate-Palmolive Company	5.2%

(d) Treasurer's Pool

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2011:

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 4,584,949
Equity of internal pool participants	4,136,551
Equity of external pool participants	448,398
Total equity	$ 4,584,949
Statement of Changes in Net Assets	
Net assets at July 1, 2010	$ 4,255,195
Net change in investments by pool participants	329,754
Net assets at June 30, 2011	$ 4,584,949

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2011:

Type of Investment	Rates	Maturities	Par Value	Value
U.S. government securities	0.42% - 2.00%	08/31/11 - 11/30/15	$ 450,000	$ 452,805
Federal agencies	0.25% - 2.53%	08/25/11 - 06/06/16	2,632,445	2,653,328
Temporary Liquidity Guarantee Program	0.24% - 2.07%	07/15/11 - 12/21/12	721,000	731,651
Negotiable certificates of deposits	0.25% - 0.75%	09/06/11 - 09/04/12	175,000	175,176
Commercial paper	0.49%	09/19/11	50,000	49,978
Public time deposits	0.70% - 0.75%	07/31/11 - 05/18/12	10,100	10,100
Money market mutual funds	0.12%	07/01/11	2,283	2,283
			$ 4,040,828	4,075,321
Carrying amount of deposits in Treasurer's Pool				509,628
Total cash and investments in Treasurer's Pool				$ 4,584,949

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (continued)
June 30, 2011
(Dollars in Thousands)

(e) Retirement System Investments

The Retirement System's investments as of June 30, 2011 are summarized as follows:

Fixed Income Investments:	
Short-term bills and notes	$ 726,811
Debt securities:	
U.S. Government and agencies	1,050,322
Other debt securities	3,218,676
Subtotal debt securities	4,268,998
Total fixed income investments	4,995,809
Equity securities:	
Domestic	4,009,762
International	3,357,059
Total equity securities	7,366,821
Alternative investments	1,977,187
Real estate holdings	1,266,863
Foreign currency contracts, net	(16,046)
Investment in lending agent's short-term investment pool	892,579
Total Retirement System Investments	$ 16,483,213

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, 2011:

Investment Type	Fair Value	Less than 1 year	1-5 years	6-10 years	10+ years
Asset Backed Securities	$ 144,025	$ -	$ 27,794	$ 7,512	$ 108,719
Bank Loans	53,162	-	22,652	30,181	329
Collateralized Bonds	13,654	-	-	676	12,978
Commercial Mortgage-Backed	593,184	26,063	100,307	34,929	431,885
Commingled and other fixed income funds	284,805	284,805	-	-	-
Corporate Bonds	1,552,314	614,940	381,071	433,703	122,600
Corporate Convertible Bonds	219,394	7,895	120,499	21,673	69,327
Government Agencies	1,062,740	57,959	631,438	116,353	256,990
Government Bonds	102,322	30,709	28,441	14,362	28,810
Government Mortgage-Backed Securities	6,198	-	-	2,844	3,354
Index Linked Government Bonds	16,983	-	-	5,662	11,321
Invested Cash	473,110	473,110	-	-	-
Mortgages	93	-	93	-	-
Municipal/Provincial Bonds	6,878	-	3,801	3,077	-
Non-Government Backed Collateralized Mortgage Obligations	211,525	-	2,742	5,198	203,585
Options	(1,419)	(225)	(1,410)	216	-
Other Fixed Income	6,562	(34)	19	-	6,577
Short Term Bills and Notes	38,887	38,887	-	-	-
Short Term Investment Funds	214,813	214,813	-	-	-
Swaps	(3,421)	(5)	(1,887)	(749)	(780)
Total	$ 4,995,809	$ 1,748,917	$ 1,315,560	$ 675,637	$ 1,255,695

(Dollars in Thousands)

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, 2011. Investments issued or explicitly guaranteed by the U.S. government of $774.7 million as of June 30, 2011 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	$ 346,110	8.2%
AA	192,376	4.6%
A	266,317	6.3%
BBB	522,638	12.4%
BB	192,110	4.6%
B	289,149	6.9%
CCC	154,317	3.7%
CC	12,983	0.3%
C	7,920	0.2%
D	6,406	0.2%
Not Rated	2,230,769	52.6%
Total	$ 4,221,095	100.0%

The securities listed as "Not Rated" include short-term investment funds, U.S. government agency securities, and investments that invest primarily in rated securities, such as comingled 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 9.8% for 2011.

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 explicitly guaranteed by the U.S. government or its agencies are exempt from this limit.

As of June 30, 2011, the Retirement System had no investments of a single issuer that equal or exceeded 5% of total Retirement System net assets.

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, 2011, $77.1 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. Cash received as securities lending collateral is invested in a separately managed account using investment guidelines approved by the Retirement System and held with the 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, equities, fixed income, alternative investments, real estate, and foreign currency contracts. 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 exposure to foreign currency risk as of June 30, 2011 is as follows:

Currency	Cash	Equities	Fixed Income	Alternative Investments	Real Estate	Foreign Currency Contracts	Total
Argentine peso	$ -	$ -	$ -	$ -	$ -	$ 9,146	$ 9,146
Australian dollar	(227)	102,352	23,699	5,834	-	32,067	163,725
Brazilian real	2	54,276	30,020	-	-	123,802	208,100
British pound sterling	3,200	448,242	-	628	-	(45,149)	406,921
Canadian dollar	401	71,601	23,873	-	-	(100,423)	(4,548)
Chilean peso	-	-	-	-	-	71,778	71,778
Chinese yuan renminbi	-	-	-	-	-	46,027	46,027
Colombian peso	-	-	-	-	-	6,527	6,527
Czech koruna	-	1,825	-	-	-	(91,329)	(89,504)
Danish krone	183	29,702	-	-	-	(3,540)	26,345
Euro	17,945	715,752	(1,340)	249,298	-	(184,386)	797,269
Hong Kong dollar	2,997	229,156	-	-	-	918	233,071
Hungarian forint	-	3,999	-	-	-	41,364	45,363
Indian rupee	-	-	-	-	-	153,851	153,851
Indonesian rupiah	2,187	15,713	-	-	-	59,951	77,851
Japanese yen	1,740	379,369	-	-	66,776	(242,410)	205,475
Kazakhstan tenge	-	-	-	-	-	5,622	5,622
Malaysian ringgit	75	14,255	-	-	-	3,072	17,402
Mexican peso	6,927	12,454	28,105	-	-	21,303	68,789
New Israeli shekel	23	3,390	-	-	-	4,206	7,619
New Romanian Leu	2,322	-	690	-	-	8,230	11,242
New Taiwan dollar	1,039	37,857	-	-	-	(50,743)	(11,847)
New Zealand dollar	-	-	5,656	-	-	31,496	37,152
Norwegian krone	199	13,468	-	-	-	123,927	137,594
Peruvian nuevo sol	-	-	-	-	-	45,720	45,720
Philippine peso	-	114	-	-	-	7,838	7,952
Polish zloty	-	6,224	14,404	-	-	9,038	29,666
Russian ruble (new)	-	-	-	-	-	1,864	1,864
Singapore dollar	203	37,706	-	-	-	23,363	61,272
South African rand	-	35,173	-	-	-	84,860	120,033
South Korean won	439	121,111	-	-	-	87,413	208,963
Swedish krona	(328)	46,352	-	-	-	133,558	179,582
Swiss franc	(428)	159,775	-	-	-	(126,488)	32,859
Thai baht	633	20,990	-	-	-	1,277	22,900
Turkish lira	-	10,685	8,097	-	-	5,278	24,060
United Arab Emirates dirham	80	-	4,018	-	-	-	4,098
Total	$ 39,612	$ 2,571,541	$ 137,222	$ 255,760	$ 66,776	$ 299,028	$ 3,369,939

(Dollars in Thousands)

Derivative Instruments

As of June 30, 2011, 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 assets. 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, 2011:

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	$ -	$ (16,042)	$ (16,042)
Other Contracts	-	214	214
Futures			
Equity Contracts	1	-	-
Interest Rate Contracts	(1)	-	-
Options			
Foreign Exchange Contracts	2,837	110	(301)
Interest Rate Contracts	(1)	(193)	99
Other Contracts	(40,080)	(1,336)	62
Swaps			
Credit Contracts	130,028	(2,148)	220
Interest Rate Contracts	15,920	(1,267)	(1,267)
Other Contracts	6	(5)	21
Rights/Warrants			
Equity Contracts	877 shares	4,238	(731)
Total		$ (16,429)	$ (17,725)

All investment derivatives are reported as investments at fair value in the statement of fiduciary net assets. 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 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 assets.

Counterparty Credit Risk

The Retirement System is exposed to credit risk on derivative instruments that are in asset positions.

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, 2011, 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, 2011.

Derivative Type / Contracts	Fair Value	Less than 1 year	1-5 years	6-10 years	10+ years
Options					
Interest Rate Contracts	$ (193)	$ (193)	$ -	$ -	$ -
Other Contracts	(1,336)	(32)	(1,520)	216	-
Swaps					
Credit Contracts	(2,148)	-	(1,886)	(602)	340
Interest Rate Contracts	(1,267)	-	-	(147)	(1,120)
Other Contracts	(5)	(5)	-	-	-
Total	$ (4,949)	$ (230)	$ (3,406)	$ (533)	$ (780)

The following table details the reference rate, notional amount, and fair value of interest rate swaps at June 30, 2011 that are highly sensitive to changes in interest rates:

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swaps	Receiving variable 3 month LIBOR, paying fixed (3.6%)	$ 3,100	$ (147)
Interest Rate Swaps	Receiving variable 3 month LIBOR, paying fixed (4.3%)	12,820	(1,120)
Total		$ 15,920	$ (1,267)

(Dollars in Thousands)

Foreign Currency Risk

At June 30, 2011, the Retirement System is exposed to foreign currency risk on its investments in forwards and swaps denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2011:

Currency	Forwards	Swaps	Total
Argentine peso	$ (3)	-	$ (3)
Australian dollar	(3,466)	-	(3,466)
Brazilian real	(5,687)	-	(5,687)
British pound sterling	2,152	-	2,152
Canadian dollar	(2,111)	-	(2,111)
Chilean peso	(445)	-	(445)
Chinese yuan renminbi	(101)	-	(101)
Colombian peso	(2,342)	-	(2,342)
Czech koruna	(2,664)	-	(2,664)
Danish krone	(28)	-	(28)
Euro	(7,914)	(1,340)	(9,254)
Hungarian forint	(1,895)	-	(1,895)
Indian rupee	(748)	-	(748)
Indonesian rupiah	26	-	26
Japanese yen	(9,612)	-	(9,612)
Malaysian ringgit	(440)	-	(440)
Mexican peso	(1,020)	-	(1,020)
New Israeli shekel	(1,348)	-	(1,348)
New Romanian leu	(16)	-	(16)
New Zealand dollar	(7,645)	-	(7,645)
Norwegian krone	(2,870)	-	(2,870)
Peruvian nuevo sol	(1,666)	-	(1,666)
Philippine peso	112	-	112
Polish zloty	(1,258)	-	(1,258)
Russian ruble (new)	(1,112)	-	(1,112)
Singapore dollar	(966)	-	(966)
South African rand	(3,331)	-	(3,331)
South Korean won	(983)	-	(983)
Swedish krona	(601)	-	(601)
Swiss franc	(11,817)	-	(11,817)
Taiwan dollar	(1,110)	-	(1,110)
Thai baht	(10)	-	(10)
Turkish lira	1,945	-	1,945
Total	$ (68,974)	$ (1,340)	$ (70,314)

Contingent Features

At June 30, 2011, the Retirement System held no positions in derivatives containing contingent features.

Currency Management Program

The Retirement System's currency management program is managed by three investment managers. The objective of the currency management program is to produce a risk-adjusted return of approximately 100 basis points. The Retirement System's international equity managers do not actively manage the underlying currency risk. Currency risk can be reduced through an active currency management program.

Each currency manager manages currency risk through foreign exchange spot and forward contracts, and currency options. Only international equities are subject to the currency management program. The Retirement System's international fixed income currency exposure is actively managed by four developed market bond managers and two emerging market bond managers. All four developed bond managers have discretion to invest in U.S. or international developed markets.

As of June 30, 2011, the Retirement System's allocation to assets managed by international equities managers was primarily denominated in foreign currencies and totaled $3.6 billion, which represented 23.3% of the Retirement System's fiduciary net assets. For the year ended June 30, 2011, the currency overlay program lost $1.7 million or 0.05% of the international equity portfolio (including cash and other assets) and 0.01% of the Retirement System's average total portfolio value.

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 securities at 105% of the fair value of domestic securities and international securities lent, respectively. There are no restrictions on the amount 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 anytime. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the corresponding collateral.

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. The securities collateral is not reported on the statement of fiduciary net assets. As of June 30, 2011, 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. In addition, the lending agent indemnifies the Retirement System against all borrower defaults.

As of June 30, 2011, the Retirement System lent $1.18 billion in securities and received collateral of $0.89 billion and $0.33 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 System. 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 $0.89 billion. The net unrealized loss of $0.9 million is presented as part of the net depreciation in fair value of investments in the statement of changes in the fiduciary net assets. 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 by the account.

(Dollars in Thousands)

The Retirement System's securities lending transactions as of June 30, 2011, 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 Equities	$ 106,502	$ 111,137	$ -
International Corporate Fixed Income	1,114	1,179	-
International Government Fixed Income	2,801	3,041	-
U.S. Government Agencies	3,961	4,050	-
U.S. Corporate Fixed Income	202,818	206,814	-
U.S. Equities	410,492	418,153	-
U.S. Government Fixed Income	146,004	149,083	-
Securities Loaned with Non-Cash Collateral:			
International Equities	264,002	-	286,243
International Government Fixed Income	9,174	-	9,762
U.S. Corporate Fixed Income	1,328	-	1,352
U.S. Equities	687	-	698
U.S. Government Fixed Income	27,040	-	27,615
Total	$ 1,175,923	$ 893,457	$ 325,670

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, 2011.

Investment Type	Fair Value	Less than 1 year	1 - 5 years
Asset Backed Securities	$ 43,777	$ 25,566	$ 18,211
Commercial Paper	4,999	4,999	-
Floating Rate Notes	39,257	39,257	-
Government Agencies	89,606	78,737	10,869
Negotiable Certificates of Deposits	292,043	292,043	-
Repurchase Agreements	255,000	255,000	-
Short Term Investment Funds	167,897	167,897	-
Total	$ 892,579	$ 863,499	$ 29,080

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2011 is as follows:

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	$ 123,060	13.8%
AA	131,095	14.7%
A	389,921	43.7%
BBB	10,583	1.2%
BB	6,581	0.7%
B	6,632	0.7%
CCC	1,810	0.2%
Not Rated	222,897	25.0%
Total	$ 892,579	100.0%

Investments in Real Estate Holdings

Real estate investments represent the Retirement System's interests in real estate limited partnerships. The changes in these investments during the year ended June 30, 2011 are summarized as follows:

Investments:	
Beginning of the year	$ 1,009,001
Capital investments	108,461
Equity in net earnings	66,243
Net appreciation in fair value	144,335
Capital distributions	(61,177)
End of the year	$ 1,266,863

(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 debt service amounted to approximately $172.9 million for the year ended June 30, 2011.

Taxable valuation for the year ended June 30, 2011 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Redevelopment Agency) was approximately $147 billion, a decrease of 3%. The secured tax rate was $1.164 per $100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: $0.65 for general government, $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 $0.164 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 1.95% and 9.83%, respectively, of the current year tax levy, for an average delinquency rate of 2.46% of the current year tax levy.

(Dollars in Thousands)

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, 2011 was $17.3 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.

During fiscal year 2009-10, the California state legislature passed Proposition 1A that allows the State of California to borrow 8% of the amount of fiscal year 2008-09 local property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period.

As authorized, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. The City participated in the securitization program. The receivable sale proceeds and the amount of borrowing pertaining to the City was $89.2 million.

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2011 was as follows:

Governmental Activities:

	Balance July 1, 2010	Increases *	Decreases *	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 155,512	$ 1,800	$ (4)	$ 157,308
Intangible assets	16,047	11,379	(1,951)	25,475
Construction in progress	313,127	221,201	(169,087)	365,241
Total capital assets, not being depreciated	484,686	234,380	(171,042)	548,024
Capital assets, being depreciated:				
Facilities and improvements	3,003,204	78,471	(4,957)	3,076,718
Machinery and equipment	331,024	20,191	(2,927)	348,288
Infrastructure	363,323	78,165	(13,238)	428,250
Intangible assets	104	2,217	-	2,321
Total capital assets, being depreciated	3,697,655	179,044	(21,122)	3,855,577
Less accumulated depreciation for:				
Facilities and improvements	678,570	59,112	(2,165)	735,517
Machinery and equipment	278,520	19,497	(2,916)	295,101
Infrastructure	47,417	12,424	(1,510)	58,331
Intangible assets	12	190	-	202
Total accumulated depreciation	1,004,519	91,223	(6,591)	1,089,151
Total capital assets, being depreciated, net	2,693,136	87,821	(14,531)	2,766,426
Governmental activities capital assets, net	$ 3,177,822	$ 322,201	$ (185,573)	$ 3,314,450

* The increases and decrease include transfers of categories of capital assets from construction in progress to depreciable categories.

Business-type Activities:

Capital asset activity of the business enterprises for the year ended June 30, 2011, was as follows:

San Francisco International Airport

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 2,787	$ -	$ -	$ 2,787
Construction in progress	333,312	261,784	(511,266)	83,830
Total capital assets, not being depreciated	336,099	261,784	(511,266)	86,617
Capital assets, being depreciated:				
Facilities and improvements	5,142,832	498,580	(1,034)	5,640,378
Machinery and equipment	85,970	13,486	(1,883)	97,573
Intangible assets	141,086	-	-	141,086
Total capital assets, being depreciated	5,369,888	512,066	(2,917)	5,879,037
Less accumulated depreciation for:				
Facilities and improvements	1,850,880	147,757	(985)	1,997,652
Machinery and equipment	55,229	5,218	(1,871)	58,576
Intangible assets	88,087	7,075	-	95,162
Total accumulated depreciation	1,994,196	160,050	(2,856)	2,151,390
Total capital assets, being depreciated, net	3,375,692	352,016	(61)	3,727,647
Capital assets, net	$ 3,711,791	$ 613,800	$ (511,327)	$ 3,814,264

San Francisco Water Enterprise

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 17,707	$ 1,105	$ -	$ 18,812
Intangible assets	679	-	-	679
Construction in progress	787,367	659,087	(217,880)	1,228,574
Total capital assets, not being depreciated	805,753	660,192	(217,880)	1,248,065
Capital assets, being depreciated:				
Facilities and improvements	1,548,575	196,524	-	1,745,099
Machinery and equipment	195,639	29,939	(5,658)	219,920
Intangible assets	3,973	5,512	-	9,485
Total capital assets, being depreciated	1,748,187	231,975	(5,658)	1,974,504
Less accumulated depreciation for:				
Facilities and improvements	584,860	46,552	-	631,412
Machinery and equipment	104,727	11,227	(5,658)	110,296
Intangible assets	-	973	-	973
Total accumulated depreciation	689,587	58,752	(5,658)	742,681
Total capital assets, being depreciated, net	1,058,600	173,223	-	1,231,823
Capital assets, net	$ 1,864,353	$ 833,415	$ (217,880)	$ 2,479,888

(Dollars in Thousands)

Hetch Hetchy Water and Power

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 4,665	$ -	$ -	$ 4,665
Intangible assets	1,437	-	-	1,437
Construction in progress	35,425	32,932	(8,597)	59,760
Total capital assets, not being depreciated	41,527	32,932	(8,597)	65,862
Capital assets, being depreciated:				
Facilities and improvements	455,676	4,001	(1,541)	458,136
Machinery and equipment	69,930	6,688	(2,293)	74,325
Intangible assets	45,604	111	-	45,715
Total capital assets, being depreciated	571,210	10,800	(3,834)	578,176
Less accumulated depreciation for:				
Facilities and improvements	275,640	9,578	-	285,218
Machinery and equipment	34,287	3,669	(54)	37,902
Intangible assets	17,040	460	-	17,500
Total accumulated depreciation	326,967	13,707	(54)	340,620
Total capital assets, being depreciated, net	244,243	(2,907)	(3,780)	237,556
Capital assets, net	$ 285,770	$ 30,025	$ (12,377)	$ 303,418

Municipal Transportation Agency

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 26,245	$ 256	$ -	$ 26,501
Construction in progress	181,306	175,378	(70,152)	286,532
Total capital assets, not being depreciated	207,551	175,634	(70,152)	313,033
Capital assets, being depreciated:				
Facilities and improvements	605,761	10,260	(258)	615,763
Machinery and equipment	1,193,521	14,171	(2,464)	1,205,228
Infrastructure	1,117,666	47,469	-	1,165,135
Total capital assets, being depreciated	2,916,948	71,900	(2,722)	2,986,126
Less accumulated depreciation for:				
Facilities and improvements	200,850	13,571	(2)	214,419
Machinery and equipment	582,485	70,569	(2,046)	651,008
Infrastructure	372,207	32,447	-	404,654
Total accumulated depreciation	1,155,542	116,587	(2,048)	1,270,081
Total capital assets, being depreciated, net	1,761,406	(44,687)	(674)	1,716,045
Capital assets, net	$ 1,968,957	$ 130,947	$ (70,826)	$ 2,029,078

San Francisco General Hospital Medical Center

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 542	$ -	$ -	$ 542
Construction in progress	16,632	9,104	(679)	25,057
Total capital assets, not being depreciated	17,174	9,104	(679)	25,599
Capital assets, being depreciated:				
Facilities and improvements	136,871	1,467	-	138,338
Machinery and equipment	58,196	1,921	-	60,117
Total capital assets, being depreciated	195,067	3,388	-	198,455
Less accumulated depreciation for:				
Facilities and improvements	107,914	3,406	-	111,320
Machinery and equipment	51,998	1,999	-	53,997
Total accumulated depreciation	159,912	5,405	-	165,317
Total capital assets, being depreciated, net	35,155	(2,017)	-	33,138
Capital assets, net	$ 52,329	$ 7,087	$ (679)	$ 58,737

San Francisco Wastewater Enterprise

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 21,210	$ -	$ -	$ 21,210
Intangible assets	1,153	1,893	-	3,046
Construction in progress	78,473	84,611	(55,908)	107,176
Total capital assets, not being depreciated	100,836	86,504	(55,908)	131,432
Capital assets, being depreciated:				
Facilities and improvements	2,143,113	49,085	-	2,192,198
Machinery and equipment	57,876	5,391	(23)	63,244
Intangible assets	3,434	-	-	3,434
Total capital assets, being depreciated	2,204,423	54,476	(23)	2,258,876
Less accumulated depreciation for:				
Facilities and improvements	879,091	38,599	-	917,690
Machinery and equipment	28,556	2,931	(23)	31,464
Intangible assets	-	687	-	687
Total accumulated depreciation	907,647	42,217	(23)	949,841
Total capital assets, being depreciated, net	1,296,776	12,259	-	1,309,035
Capital assets, net	$ 1,397,612	$ 98,763	$ (55,908)	$ 1,440,467

(Dollars in Thousands)

Port of San Francisco

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 105,582	$ -	$ -	$ 105,582
Construction in progress	14,102	13,912	(15,270)	12,744
Total capital assets, not being depreciated	119,684	13,912	(15,270)	118,326
Capital assets, being depreciated:				
Facilities and improvements	333,731	17,301	(3,143)	347,889
Machinery and equipment	16,183	1,547	(1,369)	16,361
Infrastructure	27,912	-	-	27,912
Intangible assets	2,779	968	-	3,747
Total capital assets, being depreciated	380,605	19,816	(4,512)	395,909
Less accumulated depreciation for:				
Facilities and improvements	223,457	12,038	(3,143)	232,352
Machinery and equipment	11,033	428	(401)	11,060
Infrastructure	3,176	1,360	-	4,536
Intangible assets	1,584	869	-	2,453
Total accumulated depreciation	239,250	14,695	(3,544)	250,401
Total capital assets, being depreciated, net	141,355	5,121	(968)	145,508
Capital assets, net	$ 261,039	$ 19,033	$ (16,238)	$ 263,834

Laguna Honda Hospital

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 914	$ -	$ -	$ 914
Construction in progress	505,170	33,543	(538,713)	-
Total capital assets, not being depreciated	506,084	33,543	(538,713)	914
Capital assets, being depreciated:				
Facilities and improvements	21,960	524,821	-	546,781
Machinery and equipment	13,824	19,235	(2,588)	30,471
Property held under lease	771	-	-	771
Intangible assets	-	256	-	256
Total capital assets, being depreciated	36,555	544,312	(2,588)	578,279
Less accumulated depreciation for:				
Facilities and improvements	19,992	5,712	-	25,704
Machinery and equipment	12,913	1,626	(2,588)	11,951
Property held under lease	747	9	-	756
Intangible assets	-	26	-	26
Total accumulated depreciation	33,652	7,373	(2,588)	38,437
Total capital assets, being depreciated, net	2,903	536,939	-	539,842
Capital assets, net	$ 508,987	$ 570,482	$ (538,713)	$ 540,756

Other Fund - San Francisco Market Corporation

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets, not being depreciated:				
Construction in progress	$ 1,439	$ 828	$ (74)	$ 2,193
Total capital assets, not being depreciated	1,439	828	(74)	2,193
Capital assets, being depreciated:				
Facilities and improvements	9,725	14	-	9,739
Machinery and equipment	52	12	(4)	60
Total capital assets, being depreciated	9,777	26	(4)	9,799
Less accumulated depreciation for:				
Facilities and improvements	5,870	274	-	6,144
Machinery and equipment	14	11	(1)	24
Total accumulated depreciation	5,884	285	(1)	6,168
Total capital assets, being depreciated, net	3,893	(259)	(3)	3,631
Capital assets, net	$ 5,332	$ 569	$ (77)	$ 5,824

Total Business-type Activities

	Balance July 1, 2010	Increases *	Decreases *	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 179,652	$ 1,361	$ -	$ 181,013
Intangible assets	3,269	1,893	-	5,162
Construction in progress	1,953,226	1,271,179	(1,418,539)	1,805,866
Total capital assets, not being depreciated	2,136,147	1,274,433	(1,418,539)	1,992,041
Capital assets, being depreciated:				
Facilities and improvements	10,398,244	1,302,053	(5,976)	11,694,321
Machinery and equipment	1,691,191	92,390	(16,282)	1,767,299
Infrastructure	1,145,578	47,469	-	1,193,047
Property held under lease	771	-	-	771
Intangible assets	196,876	6,847	-	203,723
Total capital assets, being depreciated	13,432,660	1,448,759	(22,258)	14,859,161
Less accumulated depreciation for:				
Facilities and improvements	4,148,554	277,487	(4,130)	4,421,911
Machinery and equipment	881,242	97,678	(12,642)	966,278
Infrastructure	375,383	33,807	-	409,190
Property held under lease	747	9	-	756
Intangible assets	106,711	10,090	-	116,801
Total accumulated depreciation	5,512,637	419,071	(16,772)	5,914,936
Total capital assets, being depreciated, net	7,920,023	1,029,688	(5,486)	8,944,225
Capital assets, net	$ 10,056,170	$ 2,304,121	$ (1,424,025)	$ 10,936,266

* The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories and transfers for intangible assets.

(Dollars in Thousands)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public protection	$ 15,177
Public works transportation and commerce	14,378
Human welfare and neighborhood development	466
Community health	1,252
Culture and recreation	37,275
General administration and finance	21,080
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis	1,595
Total depreciation expense – governmental activities	$ 91,223
Business-type activities:	
Airport	$ 160,050
Water	58,752
Hetch Hetchy Water and Power	13,707
Transportation	116,587
Hospitals	12,778
Sewer	42,217
Port	14,695
Market	285
Total depreciation expense – business-type activities	$ 419,071

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 MTA, and 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 MTA, and pier substructures of the Port, which totaled $1.7 billion as of June 30, 2011. Hetch Hetchy had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled $45.6 million as of June 30, 2011. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled $6.8 million as of June 30, 2011.

During the fiscal year ended June 30, 2011, the City's enterprise funds incurred total interest expense and interest income of approximately $325.1 million and $42.3 million, respectively. These amounts are net of capitalization of the interest expense in the amount of approximately $77.5 million and interest income of $1.4 million.

During fiscal year ended June 30, 2011, the Water Enterprise, Hetch Hetchy, Wastewater Enterprise and Laguna Honda Hospital expensed $1.1 million, $1.9 million, $1.9 million, and $2.5 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued. The amounts of the write-off were recognized as other operating expenses in the accompanying financial statements.

Component Unit –Redevelopment Agency

Capital asset activity of the Redevelopment Agency for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets, not being depreciated:				
Property held under lease	$ 142,580	$ 12,249	$ -	$ 154,829
Construction in progress	23,608	16	(23,624)	-
Total capital assets, not being depreciated	166,188	12,265	(23,624)	154,829
Capital assets, being depreciated:				
Facilities and improvements	177,647	23,624	-	201,271
Machinery and equipment	8,120	25	-	8,145
Leasehold improvements	22,202	-	-	22,202
Total capital assets, being depreciated	207,969	23,649	-	231,618
Less accumulated depreciation for:				
Facilities and improvements	57,676	5,031	-	62,707
Machinery and equipment	7,958	41	-	7,999
Leasehold improvements	9,994	444	-	10,438
Total accumulated depreciation	75,628	5,516	-	81,144
Total capital assets, being depreciated, net	132,341	18,133	-	150,474
Redevelopment Agency capital asssets, net	$ 298,529	$ 30,398	$ (23,624)	$ 305,303

(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, 2011, are as follows:

Type of Obligation	July 1, 2010	Additional Obligation	Current Maturities	June 30, 2011
Governmental activities:				
Commercial paper				
San Francisco County Transportation Authority	$ 150,000	$ -	$ -	$ 150,000
Multiple Capital Projects	5,035	31,875	(19,391)	17,519
Government activities short-term obligations	$ 155,035	$ 31,875	$ (19,391)	$ 167,519
Business-type activities:				
Commercial paper				
San Francisco International Airport	$ 128,660	$ 11,335	$ (139,995)	$ -
San Francisco Water Enterprise	-	150,000	-	150,000
Business-type activities short-term obligations	$ 128,660	$ 161,335	$ (139,995)	$ 150,000

San Francisco County Transportation Authority

In April 2004, the San Francisco County Transportation Authority (SFCTA) issued an initial tranche of $50 million and in September 2004 the SFCTA issued the second tranche of $100 million of a programmed $200 million aggregate principal amount of commercial paper notes (Limited Tax Bonds), Series A and B. The commercial paper notes are issued to provide a source of financing for the SFCTA's voter-approved Proposition K Expenditure Plan. Under this program, the SFCTA is able to issue commercial paper notes at prevailing interest rates not to exceed 12% per annum. The maximum maturity of the notes is 270 days. The principal amount of the commercial paper notes plus interest thereon is backed as to credit and liquidity by an irrevocable line of credit (LOC) issued by Landesbank Baden–Württemberg, New York Branch in the amount up to $217.8 million. On July 12, 2005, the expiration date of the irrevocable LOC was extended from April 14, 2007 to December 29, 2015 and on April 13, 2010, increased the LOC fees from 14 basis points to 90 basis points based on the SFCTA's AA credit rating. The commercial paper notes are secured by a first lien gross pledge of the SFCTA's Sales Tax. The principal and interest on the commercial paper notes is payable at each maturity.

As of June 30, 2011, $150 million in commercial paper notes were outstanding and maturing within 6 to 69 days after year-end with interest rates ranging from 0.16% to 0.28%. For the year ended June 30, 2011, the SFCTA paid $2.0 million in LOC fees to Landesbank Baden-Württemberg.

City and County of San Francisco Lease Revenue Commercial Paper Certificates of Participation

In March 2009, the Board of Supervisors authorized the issuance of tax-exempt and taxable lease revenue commercial paper certificates of participation (CP) in an aggregate principal amount not to exceed $150 million to provide short term financing to 1) pay for acquisition, construction and rehabilitation of certain capital improvements within the City and the financing of vehicles and equipment; 2) fund capitalized interest with respect to the CP; 3) fund capitalized fees and expenses as defined in the trust agreement; and 4) pay for cost incurred in connection with the sale and delivery of the CP. In June 2010, the City obtained irrevocable lines of credit (LOC) issued by JP Morgan Chase Bank, National Association, with a maximum available amount of $50.0 million and U.S. Bank, National Association, with a maximum available amount of $50.0 million. Both LOCs expire on June 10, 2013.

For the year ended June 30, 2011, the City issued four commercial paper notes totaling $31.9 million to provide interim financing for three capital projects and capital equipment acquisitions approved by the Board of Supervisors and retired three commercial paper notes totaling $19.4 million. At June 30, 2011, the outstanding principal amount of tax exempt commercial paper notes was $16.5 million with interest rate of 0.31% and maturity date of August 8, 2011 and the taxable commercial paper notes was $1.0 million with interest rate of 0.22% and maturity date of September 26, 2011.

San Francisco International Airport

In 1997, the Airport authorized the issuance of subordinate commercial paper notes (CP) in an aggregate principal amount not to exceed the lesser of $400 million or the stated amount of the letter of credit securing the CP. In anticipation of the expiration on May 9, 2011, of the $200 million letter of credit from State Street Bank and Trust Company securing the Airport's subordinate commercial paper notes, the Airport obtained two new $100 million direct-pay letters of credit from State Street Bank and from Barclays Bank PLC. Each of the new letters of credit supports separate subseries of commercial paper notes, expires on May 2, 2014, and permits the Airport to issue CP up to a combined maximum principal amount of $200 million.

The Airport had $128.66 million of CP outstanding as of July 1, 2010, and none at fiscal year-end. During the fiscal year 2011, the Airport issued additional CP notes to fund $4.7 million of additional capitalized interest on the Series 2009E Bonds issued for the Terminal 2 project, and to fund the $6.65 million Series 2010A-3 swap termination payment to Depfa Bank, PLC and related fees.

The CP note issued for the Depfa swap termination was retired with Airport operating funds on March 28, 2011. All other CP issued or outstanding during the fiscal year was retired with proceeds of the Series 2010F/G Bonds in August 2010, and the Series 2011A/B Bonds in February 2011. For fiscal year 2011, the interest rates on the taxable CP ranged from 0.25% to 0.30%, the interest rates on private activity CP (AMT) ranged from 0.28% to 0.33%, and the interest rates on tax-exempt governmental purpose CP (non-AMT) ranged from 0.26% to 0.30%.

San Francisco Water Enterprise

The Commission and Board of Supervisors have authorized the issuance of up to $250 million in commercial paper pursuant to the voter-approved 2002 Proposition E. As of June 30, 2011, $150 million in short-term commercial paper was outstanding. The short-term commercial paper interest rate ranged from 0.2% to 0.4%. With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the commercial paper upon maturity over the next five years, at which time outstanding commercial paper will be refunded with long-term revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the commercial paper interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the commercial paper with long-term fixed rate debts.

San Francisco Wastewater Enterprise

The Commission and Board of Supervisors have authorized the issuance of up to $150 million in commercial paper pursuant to the voter-approved 2002 Proposition E for the purpose of reconstructing, expanding, repairing or improving the Wastewater Enterprise facilities. The Wastewater Enterprise has no commercial paper outstanding at June 30, 2011 and did not have any commercial paper related activities during fiscal year 2011.

(Dollars in Thousands)

Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2011:

GOVERNMENTAL ACTIVITIES

Type of Obligation and Purpose	Final Maturity Date	Remaining Interest Rate	Amount
GENERAL OBLIGATION BONDS [(a)]:			
Affordable housing	2014	6.75%	$ 3,515
California Academy of Sciences	2025	3.50% - 5.25%	67,980
Earthquake Safety and Emergency Response	2035	4.00% - 5.00%	77,845
Laguna Honda Hospital	2030	4.00% - 5.00%	145,025
Branch libraries	2028	3.20% - 5.00%	69,120
Parks and playgrounds	2030	3.10% - 6.26%	157,090
Schools	2023	3.10% - 4.25%	19,970
San Francisco General Hospital	2030	4.00% - 6.26%	373,345
Seismic safety loan program	2030	4.35% - 5.83%	24,107
Steinhart Aquarium	2025	4.125% - 5.00%	22,840
Zoo facilities	2025	3.20% - 5.00%	9,795
Refunding	2030	2.85% - 5.00%	385,360
General Obligation Bonds - governmental activities			1,355,992
LEASE REVENUE BONDS:			
San Francisco Finance Corporation [(b), (e) & (f)]	2034	2.00% - 5.75%*	280,750
Lease Revenue Bonds - governmental activities			280,750
OTHER LONG-TERM OBLIGATIONS:			
Certificates of participation [(c) & (d)]	2041	3.00% - 5.25%	574,210
Loans [(c), (d) & (f)]	2026	2.00% - 5.74%	10,072
Capital leases payable [(c) & (f)]	2025	3.17% - 7.05%	141,377
Accrued vacation and sick leave [(d) & (f)]			140,621
Accrued workers' compensation [(d) & (f)]			222,828
Estimated claims payable [(d) & (f)]			126,044
Other postemployment benefits obligation			615,227
Other long-term obligations - governmental activities			1,830,379
DEFERRED AMOUNTS:			
Bond issuance premiums			72,950
Bond issuance discounts			(1,857)
Bond refunding			(17,470)
Deferred amounts			53,623
Governmental activities total long-term obligations			$ 3,520,744

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.

* 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, 2011 for Series 2008-1 & 2 was 0.045%.

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
San Francisco International Airport:			
Revenue bonds *	2040	1.15% - 6.00%	$ 4,215,230
Revenue notes	2019	6.50% - 6.75%	25,460
San Francisco Water Enterprise:			
Revenue bonds	2050	2.00% - 6.90%	3,113,080
Certificates of Participation	2041	2.00% - 6.49%	119,717
Accreted interest	2019	-	4,155
Hetch Hetchy Water and Power:			
Energy bonds **	2022	-	5,059
Certificates of Participation	2042	2.00% - 6.49%	16,298
Municipal Transportation Agency:			
Parking and Traffic			
Revenue bonds	2020	4.45% - 5.00%	14,385
Lease revenue bonds	2022	4.80% - 5.50%	5,455
Downtown Parking - parking revenue refunding bonds	2018	4.45% - 5.75%	6,955
Ellis-O'Farrell - parking revenue refunding bonds	2017	3.50% - 4.70%	2,980
Uptown Parking - revenue bonds	2031	4.50% - 6.00%	16,320
San Francisco General Hospital Medical Center:			
Certificates of Participation	2026	5.55%	22,550
Capital leases	2015	3.61% - 4.48%	628
San Francisco Wastewater Enterprise:			
Revenue bonds	2040	3.00% - 5.82%	468,775
Certificates of Participation	2042	2.00% - 6.49%	31,655
State of California - revolving funds loans	2021	2.80% - 3.50%	46,492
Port of San Francisco:			
Revenue bonds	2040	3.59% - 7.41%	36,165
Notes, loans and other payables	2029	4.50%	2,819
Laguna Honda Hospital:			
Capital leases	2013	3.00% - 4.00%	24
Accrued vacation and sick leave			90,563
Accrued workers' compensation			148,186
Estimated claims payable			98,437
Other postemployment benefits obligation			448,966
Deferred Amounts:			
Bond issuance premiums			214,240
Bond issuance discounts			(4,661)
Bond refunding			(131,929)
Business-type activities total long-term obligations			$ 9,018,004

* Includes Second Series Revenue Bonds Issue 36 A / B, 36 C / D, 37 C / D and 2010A, which were initially issued as variable rate bonds in a weekly mode. For the fiscal year ended June 30, 2011, the average interest rate on Issue 36A and B was 0.22% and 0.23%, respectively; for Issue 36C and D was 0.50% and 0.50%, respectively; for Issue 37C and D was 0.52% and 0.52%, respectively; and for Issue 2010A-1, 2 & 3 was 0.24%, 0.24% & 0.23%, respectively.

** The Clean Renewable Energy Bonds issued to fund solar photovoltaic projects carry no interest cost since the effective equivalent of interest on the bonds is paid in the form of federal tax credits in lieu of interest paid by the issuer.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in the respective enterprise funds.

(Dollars in Thousands)

COMPONENT UNIT

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
San Francisco Redevelopment Agency and Financing Authority:			
Lease Revenue Bonds:			
Moscone Convention Center [(a)]	2025	3.50% - 7.05%	$ 106,434
Hotel tax revenue bonds [(b)]	2026	2.00% - 5.00%	43,780
Financing Authority Bonds:			
Tax allocation revenue bonds [(c)]	2042	2.38% - 9.00%	968,694
South Beach Harbor Variable Rate Refunding bonds [(d)]	2017	Variable (3.34% at 6/30/11)	6,300
Less deferred amounts:			
Bond issuance premiums			9,148
Bond issuance discounts			(5,716)
Refunding loss			(4,412)
Subtotal			1,124,228
California Department of Boating and Waterways Loan [(e)]	2037	4.50%	7,673
Loans payable			35
Accreted interest payable			57,681
Accrued vacation and sick leave			2,450
Other postemployment benefits obligation			470
Component unit total long-term obligations			$ 1,192,537

Debt service payments are made from the following sources:

[(a)] Hotel taxes and operating revenues recorded in the Convention Facilities Special Revenue Fund and existing debt service/escrow trust funds.
[(b)] Hotel taxes from the occupancy of guest rooms in the hotels located in the Redevelopment Project Areas.
[(c)] Property taxes allocated to the Redevelopment Agency based on increased assessed valuations in project areas (note 12) and existing debt service/escrow trust funds.
[(d)] South Beach Harbor Project cash reserves, property tax increments and project revenues.
[(e)] South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2011, the City's debt limit (3% of valuation subject to taxation) was $4.79 billion. The total amount of debt applicable to the debt limit was $1.36 billion. The resulting legal debt margin was $3.43 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 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 issue. The City has evaluated each general obligation bond and certificates of participation and has recognized an arbitrage liability of $0.03 million as of June 30, 2011. This arbitrage liability is

reported in deferred credits and other liabilities in the governmental activities of the statement of net assets. The Finance Corporation has evaluated its lease revenue bonds and no liability was reported in the deferred credits and other liabilities in the Internal Service Fund as of June 30, 2011. 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. In addition, the Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities.

Assessment District

During June 1996, the City issued $1 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. The proceeds were used to finance the construction of a new public right-of-way. The bonds began to mature during the fiscal year ended June 30, 1999 and continue through 2026 bearing interest from 6.0% to 6.85%. These bonds do not represent obligations of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Accordingly, the debt has not been included in the basic financial statements. 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.

Mortgage Revenue Bonds

In order to facilitate affordable housing, the City issues mortgage revenue bonds for the financing of multifamily rental housing and for below-market rate mortgage financing for first time homebuyers. These obligations are secured by the related mortgage indebtedness and are not obligations of the City. As of June 30, 2011, the aggregate outstanding obligation of such bonds was $142.5 million.

Changes in Long-Term Obligations

The changes in long-term obligations for governmental activities for the year ended June 30, 2011, are as follows:

	July 1, 2010	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2011	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 1,386,640	$ 94,520	$ (125,168)	$ 1,355,992	$ 100,236
Lease revenue bonds	285,675	37,005	(41,930)	280,750	17,105
Certificates of participation	591,815	138,445	(156,050)	574,210	18,500
Settlement obligation bonds	7,040	-	(7,040)	-	-
Less deferred amounts:					
For issuance premiums	60,535	18,399	(5,984)	72,950	-
For issuance discounts	(3,886)	-	2,029	(1,857)	-
On refunding	(14,707)	(5,404)	2,641	(17,470)	-
Total bonds payable	2,313,112	282,965	(331,502)	2,264,575	135,841
Loans	10,607	1,813	(2,348)	10,072	2,967
Capital leases	152,273	4,683	(15,579)	141,377	16,525
Accrued vacation and sick leave pay	142,704	83,391	(85,474)	140,621	71,916
Accrued workers' compensation	216,699	46,909	(40,780)	222,828	39,662
Estimated claims payable	139,845	15,550	(29,351)	126,044	34,889
Other postemployment benefits obligation	477,633	218,173	(80,579)	615,227	-
Governmental activities long-term obligations	$ 3,452,873	$ 653,484	$ (585,613)	$ 3,520,744	$ 301,800

(Dollars in Thousands)

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.

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2011, are as follows:

	July 1, 2010	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2011	Amounts Due Within One Year
San Francisco International Airport					
Bonds payable:					
Revenue bonds	$ 4,180,365	$ 283,810	$ (248,945)	$ 4,215,230	$ 133,425
Revenue notes	66,525	-	(41,065)	25,460	2,335
Less deferred amounts:					
For issuance premiums	109,718	8,664	(14,392)	103,990	-
For issuance discounts	(4,151)	(314)	216	(4,249)	-
On refunding	(116,429)	(4,047)	15,328	(105,148)	-
Total bonds payable	4,236,028	288,113	(288,858)	4,235,283	135,760
Accrued vacation and sick leave pay	14,328	9,943	(9,633)	14,638	7,490
Accrued workers' compensation	5,039	1,708	(1,781)	4,966	942
Estimated claims payable	10,013	2,030	(486)	11,557	4,379
Other postemployment benefits obligation	46,281	14,256	-	60,537	-
Long-term obligations	$ 4,311,689	$ 316,050	$ (300,758)	$ 4,326,981	$ 148,571
San Francisco Water Enterprise					
Bonds payable:					
Revenue bonds	$ 2,193,090	$ 979,355	$ (59,365)	$ 3,113,080	$ 44,050
Certificates of Participation	119,717	-	-	119,717	-
Less deferred amounts:					
For issuance premiums	66,894	26,920	(6,006)	87,808	-
On refunding	(11,904)	(3,405)	1,717	(13,592)	-
Total bonds payable	2,367,797	1,002,870	(63,654)	3,307,013	44,050
Accreted interest payable	3,878	277	-	4,155	-
Accrued vacation and sick leave pay	11,827	7,269	(7,521)	11,575	5,764
Accrued workers' compensation	8,094	2,030	(2,449)	7,675	1,324
Estimated claims payable	29,740	6,815	(9,565)	26,990	8,603
Other postemployment benefits obligation	45,598	19,930	(5,214)	60,314	-
Long-term obligations	$ 2,466,934	$ 1,039,191	$ (88,403)	$ 3,417,722	$ 59,741
Hetch Hetchy Water and Power					
Bonds payable:					
Clean Renewable Energy Bonds	$ 5,481	$ -	$ (422)	$ 5,059	$ 422
Certificates of Participation	16,298	-	-	16,298	-
Less deferred amounts:					
For issuance premiums	378	-	(51)	327	-
For issuance discounts	(171)	-	14	(157)	-
Total bonds payable	21,986	-	(459)	21,527	422
Accrued vacation and sick leave pay	2,579	1,383	(1,372)	2,590	1,452
Accrued workers' compensation	2,068	801	(806)	2,063	358
Estimated claims payable	1,871	1,623	(1,364)	2,130	418
Other postemployment benefits obligation	8,472	4,184	(1,435)	11,221	-
Long-term obligations	$ 36,976	$ 7,991	$ (5,436)	$ 39,531	$ 2,650

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2011 are as follows (continued):

	July 1, 2010	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2011	Amounts Due Within One Year
Municipal Transportation Agency					
Bonds payable:					
Revenue bonds	$ 43,535	$ -	$ (2,895)	$ 40,640	$ 3,025
Lease revenue bonds	5,820	-	(365)	5,455	380
Less deferred amounts:					
For issuance premiums	753	-	(46)	707	-
Total bonds payable	50,108	-	(3,306)	46,802	3,405
Accrued vacation and sick leave pay	28,330	19,134	(20,383)	27,081	15,585
Accrued workers' compensation	91,997	19,816	(18,792)	93,021	14,998
Estimated claims payable	46,921	11,922	(10,841)	48,002	20,393
Other postemployment benefits obligation	99,993	51,364	(24,898)	126,459	-
Long-term obligations	$ 317,349	$ 102,236	$ (78,220)	$ 341,365	$ 54,381
San Francisco General Hospital Medical Center					
Bonds payable:					
Certificates of Participation	$ 22,550	$ -	$ -	$ 22,550	$ 543
Capital Leases	1,380	40	(792)	628	399
Accrued vacation and sick leave pay	17,878	12,590	(12,376)	18,092	10,364
Accrued workers' compensation	22,074	5,431	(5,295)	22,210	3,740
Other postemployment benefits obligation	89,626	25,606	-	115,232	-
Long-term obligations	$ 153,508	$ 43,667	$ (18,463)	$ 178,712	$ 15,046
San Francisco Wastewater Enterprise					
Bonds payable:					
Revenue bonds	$ 495,095	$ -	$ (26,320)	$ 468,775	$ 22,010
Certificates of participation	31,655	-	-	31,655	-
Less deferred amounts:					
For issuance premiums	23,282	-	(1,874)	21,408	-
On refunding	(14,764)	-	1,575	(13,189)	-
Total bonds payable	535,268	-	(26,619)	508,649	22,010
State of California - Revolving fund loans	61,140	-	(14,648)	46,492	9,594
Accrued vacation and sick leave pay	5,059	2,703	(2,566)	5,196	2,730
Accrued workers' compensation	4,146	581	(1,118)	3,609	645
Estimated claims payable	11,109	-	(2,677)	8,432	2,203
Other postemployment benefits obligation	16,078	7,215	(2,420)	20,873	-
Long-term obligations	$ 632,800	$ 10,499	$ (50,048)	$ 593,251	$ 37,182

(Dollars in Thousands)

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2011, are as follows (continued):

	July 1, 2010	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2011	Amounts Due Within One Year
Port of San Francisco					
Bonds payable:					
Revenue bonds	$ 36,650	$ -	$ (485)	$ 36,165	$ 670
Less deferred amounts:					
For issuance discounts	(265)	-	10	(255)	-
Total bonds payable	36,385	-	(475)	35,910	670
Notes, loans, and other payables	2,919	-	(100)	2,819	105
Accrued vacation and sick leave pay	1,961	1,161	(976)	2,146	1,138
Accrued workers' compensation	2,955	575	(734)	2,796	374
Estimated claims payable	1,080	300	(54)	1,326	976
Other postemployment benefits obligation	8,268	3,694	(1,256)	10,706	-
Long-term obligations	$ 53,568	$ 5,730	$ (3,595)	$ 55,703	$ 3,263
Laguna Honda Hospital					
Capital leases	$ 36	$ 19	$ (31)	$ 24	$ 17
Accrued vacation and sick leave pay	8,688	6,183	(5,626)	9,245	5,101
Accrued workers' compensation	11,907	3,351	(3,412)	11,846	2,166
Other postemployment benefits obligation	33,971	9,653	-	43,624	-
Long-term obligations	$ 54,602	$ 19,206	$ (9,069)	$ 64,739	$ 7,284
Total Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 6,948,735	$ 1,263,165	$ (338,010)	$ 7,873,890	$ 203,180
Revenue notes	66,525	-	(41,065)	25,460	2,335
Clean renewable energy bonds	5,481	-	(422)	5,059	422
Certificates of Participation	190,220	-	-	190,220	543
Lease revenue bonds	5,820	-	(365)	5,455	380
Less deferred amounts:					
For issuance premiums	201,025	35,584	(22,369)	214,240	-
For issuance discounts	(4,587)	(314)	240	(4,661)	-
On refunding	(143,097)	(7,452)	18,620	(131,929)	-
Total bonds payable	7,270,122	1,290,983	(383,371)	8,177,734	206,860
Accreted interest payable	3,878	277	-	4,155	-
State of California - Revolving fund loans	61,140	-	(14,648)	46,492	9,594
Notes, loans, and other payables	2,919	-	(100)	2,819	105
Capital leases	1,416	59	(823)	652	416
Accrued vacation and sick leave pay	90,650	60,366	(60,453)	90,563	49,624
Accrued workers' compensation	148,280	34,293	(34,387)	148,186	24,547
Estimated claims payable	100,734	22,690	(24,987)	98,437	36,972
Other postemployment benefits obligation	348,287	135,902	(35,223)	448,966	-
Long-term obligations	$ 8,027,426	$ 1,544,570	$ (553,992)	$ 9,018,004	$ 328,118

The changes in long term obligations for the component unit for the year ended June 30, 2011, are as follows:

	July 1, 2010	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2011	Amounts Due Within One Year
Component unit:					
San Francisco Redevelopment Agency					
Bonds payable:					
Revenue bonds	$ 1,019,256	$ 195,500	$ (95,848)	$ 1,118,908	$ 43,148
Refunding bonds	6,300	-	-	6,300	6,300
Less deferred amounts:					
For issuance premiums	8,894	1,196	(942)	9,148	-
For issuance discounts	(3,703)	(2,224)	211	(5,716)	-
On refunding	(4,081)	(767)	436	(4,412)	-
Total bonds payable	1,026,666	193,705	(96,143)	1,124,228	49,448
Accreted interest payable	62,723	7,534	(12,576)	57,681	12,347 (1)
Notes, loans, and other payables	10,814	39	(3,145)	7,708	35
Accrued vacation and sick leave pay	2,253	1,436	(1,239)	2,450	1,240
Other postemployment benefits obligation	643	1,346	(1,519)	470	-
Component unit - long term obligations	$ 1,103,099	$ 204,060	$ (114,622)	$ 1,192,537	$ 63,070

(1) This amount is included in accrued interest payable in the statement of net assets.

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2011, for governmental activities are as follows:

Governmental Activities (2) (3)

Fiscal Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest (4)	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Other Long-Term Obligations Principal (5)	Other Long-Term Obligations Interest (5)	Total Principal	Total Interest
2012	$ 100,236	$ 64,716	$ 17,105	$ 6,940	$ 28,528	$ 40,896	$ 145,869	$ 112,552
2013	91,091	60,633	17,630	6,567	25,940	40,206	134,661	107,406
2014	86,618	56,312	16,760	6,115	26,487	39,484	129,865	101,911
2015	80,577	52,320	14,410	5,646	61,303	33,773	156,290	91,739
2016	84,289	48,557	13,755	5,251	38,303	27,062	136,347	80,870
2017-2021	352,746	190,048	61,385	21,497	159,578	110,339	573,709	321,884
2022-2026	316,920	110,882	70,275	13,769	127,841	77,846	515,036	202,497
2027-2031	223,670	34,727	62,795	5,338	143,645	46,026	430,110	86,091
2032-2036	19,845	2,541	6,635	777	74,750	16,292	101,230	19,610
2037-2041	-	-	-	-	39,284	4,576	39,284	4,576
Total	$ 1,355,992	$ 620,736	$ 280,750	$ 71,900	$ 725,659	$ 436,500	$ 2,362,401	$ 1,129,136

(2) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.

(3) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2, which bears interest at a weekly rate. An assumed rate of 0.045%, together with liquidity fee of 0.710% and remarketing fee of 0.0725%, were used to project the interest payment in this table.

(4) The interest is before the Federal interest subsidy for the Series 2010 C and Series 2010 D General Obligation Bonds. The Federal interest subsidy on the Series 2010 C and Series 2010 D General Obligation Bonds is approximately $49.6 million and $10.2 million, respectively, through the year ending 2030.

(5) Includes approximately $176.0 million in lease payments to the Agency for the Moscone Convention Center through July 1, 2024.

(Dollars in Thousands)

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2011 for each enterprise fund is as follows:

San Francisco International Airport [1]

Fiscal Year Ending June 30	Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012................	$ 133,425	$ 196,490	$ 2,335	$ 1,655	$ 135,760	$ 198,145
2013................	148,285	192,052	2,245	1,503	150,530	193,555
2014................	161,445	187,095	2,945	1,357	164,390	188,452
2015................	177,012	180,488	3,090	1,166	180,102	181,654
2016................	183,784	171,967	3,190	965	186,974	172,932
2017-2021.......	1,093,881	718,134	11,655	1,531	1,105,536	719,665
2022-2026……	1,201,973	436,186	-	-	1,201,973	436,186
2027-2031……	752,440	189,740	-	-	752,440	189,740
2032-2036……	206,615	78,461	-	-	206,615	78,461
2037-2040….	156,370	19,442	-	-	156,370	19,442
Total............	$ 4,215,230	$ 2,370,055	$ 25,460	$ 8,177	$ 4,240,690	$ 2,378,232

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.

Revenue bond debt service if (i) the credit and liquidity facilities (letter of credits or standby purchase agreements) 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 the banks providing such credit and liquidity facilities, and (ii) the Airport's outstanding fixed rate bonds scheduled to be come due (via mandatory tender by bondholders for purchase by the Airport) are not remarketed as or refunded with long-term fixed rate bonds, are as follows:

Fiscal Year Ending June 30	Revenue Bonds	
	Principal	Interest
2012................	$ 133,425	$ 196,490
2013................	604,695	189,339
2014................	236,660	170,995
2015................	265,295	161,491
2016................	181,240	148,810
2017-2021.......	935,785	613,163
2022-2026……	957,120	368,213
2027-2031……	538,025	171,676
2032-2036……	206,615	78,461
2037-2040….	156,370	19,442
Total...........	$ 4,215,230	$ 2,118,080

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2011 for each enterprise fund is as follows (continued):

San Francisco Water Enterprise [1]

Fiscal Year Ending June 30	Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest [2]	Principal	Interest [3]	Principal	Interest
2012................	$ 44,050	$ 164,100	$ -	$ 7,231	$ 44,050	$ 171,331
2013................	45,965	162,039	1,971	7,199	47,936	169,238
2014................	48,130	159,887	2,035	7,132	50,165	167,019
2015................	50,485	157,583	2,106	7,060	52,591	164,643
2016................	62,940	154,839	2,199	6,968	65,139	161,807
2017-2021.......	383,200	723,772	12,813	33,028	396,013	756,800
2022-2026……	493,195	618,737	16,308	29,192	509,503	647,929
2027-2031……	619,255	478,532	20,099	23,497	639,354	502,029
2032-2036……	613,615	312,093	24,751	16,291	638,366	328,384
2037-2041….	537,475	145,771	30,524	7,358	567,999	153,129
2042-2046….	95,305	58,671	6,911	224	102,216	58,895
2047-2051….	119,465	21,507	-	-	119,465	21,507
Total............	$ 3,113,080	$ 3,157,531	$ 119,717	$ 145,180	$ 3,232,797	$ 3,302,711

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.

(2) The interest is before the Federal interest subsidy for the Water Enterprise Fund's Revenue Bonds 2001 Series A, 2002 Series A, 2002 Refunding Series B, 2006 Series A, 2006 Refunding Series B and C, 2009 Series A and B and 2010 Series ABC, 2010 Series DE, and 2010 Series FG. The Federal interest subsidy amounts represent 35% of the interest for the revenue bonds 2010 Sub-Series B, Sub-Series E and Sub-Series G. The Federal interest subsidy on the Water Enterprise Fund Revenue Bonds is approximately $589.5 million through the year ending 2051.

(3) The interest is before the Water Enterprise Fund's portion of the Federal interest subsidy for the Certificates of Participation Series D (Taxable) which amounts to approximately $47.6 million through the year ending 2042.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2011 for each enterprise fund is as follows (continued):

Hetch Hetchy Water and Power [(1)]

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest [(2)]	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest [(3)]	Total Principal	Total Interest
2012................	$ 422	$ -	$ -	$ 984	$ 422	984
2013................	422	-	268	980	690	980
2014................	422	-	277	970	699	970
2015................	422	-	287	961	709	961
2016................	422	-	299	948	721	948
2017-2021........	2,110	-	1,744	4,497	3,854	4,497
2022-2126 ……	839	-	2,221	3,974	3,060	3,974
2027-2031……	-	-	2,736	3,199	2,736	3,199
2032-2036……	-	-	3,370	2,218	3,370	2,218
2037-2041……	-	-	4,155	1,002	4,155	1,002
2042-2046……	-	-	941	31	941	31
Total............	$ 5,059	$ -	$ 16,298	$ 19,764	$ 21,357	$ 19,764

Municipal Transportation Agency [(1)]

Fiscal Year Ending June 30	Revenue/ Lease Revenue Bonds Principal	Revenue/ Lease Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2012...............	$ 3,405	$ 2,426	$ -	$ -	$ 3,405	$ 2,426
2013...............	3,575	2,267	-	-	3,575	2,267
2014...............	3,750	2,097	-	-	3,750	2,097
2015...............	3,930	1,917	-	-	3,930	1,917
2016...............	3,442	1,724	-	-	3,442	1,724
2017-2021.......	16,438	5,525	-	-	16,438	5,525
2022-2026……	4,750	2,722	-	-	4,750	2,722
2027-2031……	5,500	1,255	-	-	5,500	1,255
2032-2036……	1,305	39	-	-	1,305	39
Total...........	$ 46,095	$ 19,972	$ -	$ -	$ 46,095	$ 19,972

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.

(2) Interest payments are not required, since the effective equivalent of interest on the bonds is paid in the form of Federal tax credits in lieu of interest paid by the issuer.

(3) The interest is before the Hetch Hetchy Water and Power Enterprise Fund's portion of the Federal interest subsidy for the Certificates of Participation Series D (Taxable) which amounts to approximately $6.5 million through the year ending 2042.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (continued)
June 30, 2011
(Dollars in Thousands)

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2011 for each enterprise fund is as follows (continued):

San Francisco General Hospital [(1)]

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2012...............	$ -	$ -	$ 942	$ 1,284	$ 942	$ 1,284
2013...............	-	-	1,343	1,218	1,343	1,218
2014...............	-	-	1,208	1,143	1,208	1,143
2015...............	-	-	1,269	1,075	1,269	1,075
2016...............	-	-	1,334	1,004	1,334	1,004
2017-2021.......	-	-	7,884	3,805	7,884	3,805
2022-2026……	-	-	9,198	1,323	9,198	1,323
Total...........	$ -	$ -	$ 23,178	$ 10,852	$ 23,178	$ 10,852

San Francisco Wastewater Enterprise [(1)]

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest [(2)]	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest [(3)]	Total Principal	Total Interest
2012................	$ 22,010	$ 23,920	$ 9,594	$ 3,301	$ 31,604	$ 27,221
2013................	23,095	22,902	8,843	3,003	31,938	25,905
2014................	24,395	21,716	8,730	2,734	33,125	24,450
2015................	25,790	20,428	6,243	2,469	32,033	22,897
2016................	27,325	19,034	5,418	2,274	32,743	21,308
2017-2021........	105,120	79,336	13,249	9,496	118,369	88,832
2022-2026……	79,055	53,839	4,313	7,718	83,368	61,557
2027-2031……	44,390	40,292	5,315	6,213	49,705	46,505
2032-2036……	53,280	26,604	6,544	4,308	59,824	30,912
2037-2041……	64,315	9,641	8,071	1,946	72,386	11,587
2042………….	-	-	1,827	59	1,827	59
Total............	$ 468,775	$ 317,712	$ 78,147	$ 43,521	$ 546,922	$ 361,233

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.

(2) The interest is before the Federal interest subsidy for the Wastewater Enterprise Fund Revenue Bonds 2003 Refunding Series A, 2010 Series A and 2010 Series B. In addition, the Federal interest subsidy amounts represent 35% of the interest for the Revenue Bonds 2010 Series B. The Federal interest subsidy on the Wastewater Enterprise Fund Revenue Bonds is approximately $81.9 million through the year ending 2041.

(3) The interest is before the Wastewater Enterprise Fund's portion of the Federal interest subsidy for the Certificates of Participation Series D (Taxable) which amounts to approximately $12.6 million through the year ending 2042.

(Dollars in Thousands)

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2011 for each enterprise fund is as follows (continued):

Port of San Francisco [1]

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2012	$ 670	$ 2,175	$ 105	$ 127	$ 775	$ 2,302
2013	695	2,151	110	122	805	2,273
2014	725	2,122	115	117	840	2,239
2015	755	2,088	120	112	875	2,200
2016	795	2,051	125	107	920	2,158
2017-2021	4,710	9,513	715	443	5,425	9,956
2022-2026	6,495	7,729	892	267	7,387	7,996
2027-2031	8,225	5,006	637	58	8,862	5,064
2032-2036	6,545	2,719	-	-	6,545	2,719
2037-2041	6,550	861	-	-	6,550	861
Total	$ 36,165	$ 36,415	$ 2,819	$ 1,353	$ 38,984	$ 37,768

Laguna Honda Hospital [1]

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2012	$ -	$ -	$ 17	$ 6	$ 17	$ 6
2013	-	-	7	5	7	5
Total	$ -	$ -	$ 24	$ 11	$ 24	$ 11

Total Business-type Activities [1]

Fiscal Year Ending June 30	Revenue/Lease Revenue Bonds Principal	Revenue/Lease Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2012	$ 203,982	$ 389,111	$ 12,993	$ 14,588	$ 216,975	$ 403,699
2013	222,037	381,411	14,787	14,030	236,824	395,441
2014	238,867	372,917	15,310	13,453	254,177	386,370
2015	258,394	362,504	13,115	12,843	271,509	375,347
2016	278,708	349,615	12,565	12,266	291,273	361,881
2017-2021	1,605,459	1,536,280	48,060	52,800	1,653,519	1,589,080
2022-2026	1,786,307	1,119,213	32,932	42,474	1,819,239	1,161,687
2027-2031	1,429,810	714,825	28,787	32,967	1,458,597	747,792
2032-2036	881,360	419,916	34,665	22,817	916,025	442,733
2037-2041	764,710	175,715	42,750	10,306	807,460	186,021
2042-2046	95,305	58,971	9,679	314	104,984	59,285
2047-2051	119,465	21,507	-	-	119,465	21,507
Total	$ 7,884,404	$ 5,901,985	$ 265,643	$ 228,858	$ 8,150,047	$ 6,130,843

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.

The annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2011, for the component unit are as follows:

Component Unit: San Francisco Redevelopment Agency [1]

Fiscal Year Ending June 30	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest [2]	Tax Revenue Bonds Principal	Tax Revenue Bonds Interest [2]	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest [3]	Total Principal	Total Interest
2012	$ 4,881	$ 13,992	$ 37,417	$ 54,659	$ 7,185	$ 2,545	$ 49,483	$ 71,196
2013	4,791	14,155	41,298	53,474	1,371	2,337	47,460	69,966
2014	4,732	14,296	43,621	51,588	1,314	2,306	49,667	68,190
2015	9,511	9,474	47,435	48,446	3,373	2,263	60,319	60,183
2016	15,205	3,730	48,845	44,716	3,428	2,127	67,478	50,573
2017-2021	55,500	8,138	237,109	190,972	19,274	8,194	311,883	207,304
2022-2026	11,814	1,256	128,512	190,851	17,780	3,225	158,106	195,332
2027-2031	-	-	123,337	126,669	1,932	748	125,269	127,417
2032-2036	-	-	131,044	88,595	2,108	272	133,152	88,867
2037-2041	-	-	111,626	29,731	23	1	111,649	29,732
2042-2046	-	-	18,450	663	-	-	18,450	663
Total	$ 106,434	$ 65,041	$ 968,694	$ 880,364	$ 57,788	$ 24,018	$ 1,132,916	$ 969,423

(1) The specific year for payment of accrued vacation and sick leave is not practicable to determine.
(2) Includes payment of accreted interest.
(3) Variable interest on the refunding bond 1986 Issue A is estimated using interest rate at June 30, 2011 of 3.34%.

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, 2011, are as follows:

Governmental Activities - General Obligation Bonds

Authorized and unissued as of June 2010	$ 847,110
Increase in authorization in June 2010:	
Earthquake Safety and Emergency Response Bonds	412,300
Bonds issued:	
Seismic and Safety Loan Program (5th draw)	(15,000)
Earthquake Safety and Emergency Response Bonds Series 2010E	(79,520)
Net authorized and unissued as of June 30, 2011	$ 1,164,890

The increase in authorized amount of $412.3 million of General Obligation Bonds 2010 Earthquake Safety and Emergency Response Bonds was approved by at least two-third votes voting on Proposition B at an election held on June 8, 2010. The bonds will be issued to provide funds to improve fire, earthquake and emergency response and ensure firefighters a reliable water supply for fires and disasters, through projects including: improving deteriorating pipes, hydrants, reservoirs, water cisterns and pumps built after the 1906 earthquake; improving the neighborhood fire stations; replacing the seismically unsafe emergency command center with an earthquake-safe building; and pay related costs necessary or convenient for these purposes.

In December 2010, the City issued General Obligation Bonds, Earthquake Safety and Emergency Response Bonds, Series 2010E in the amount of $79.5 million. Interest rates range from 3.0% to 5.0%. The bonds mature from June 2011 through June 2035. The bonds were issued to provide funds 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 bonds. The debt service payments are funded through ad valorem taxes on property.

(Dollars in Thousands)

Seismic Safety Loan Program Government Obligation Bonds

The Seismic Safety Loan Program was approved by the voters of the City and County of San Francisco by Proposition A in November 1992 which authorized the issuance of up to a total of $350 million aggregate principal amount of government obligation bonds to provide funds for loans for the seismic strengthening of privately-owned unreinforced masonry buildings within the City for affordable housing and market-rate residential, commercial and institutional purposes and for related administrative costs. Approximately 2,200 privately-owned unreinforced masonry buildings were identified by the City. These buildings are located throughout San Francisco, but are concentrated in Chinatown, the Tenderloin and south of Market Street. In July 1992, the Board of Supervisors passed legislation mandating that these buildings be seismically strengthened within specified periods of time. Most of the buildings have now been seismically retrofitted. The owners of the existing unreinforced masonry buildings are eligible to apply for loans under the Loan Program to finance the required seismic strengthening work and certain other legally-required work.

In February 2007, the Board of Supervisors approved Resolution No. 65-07 which authorized the issuance of indebtedness under Proposition A in the amount not to exceed $35 million. Such issuance was achieved pursuant to the terms of a credit agreement with Bank of America, N.A. In March 2007, the City made the first draw under the Credit Agreement (Seismic Safety Loan Program, 1992) Series 2007A in the amount of $2 million. The first borrowing bears an interest rate of 5.69% with principal amortizing from June 2007 through June 2026. Within the first loan account are two loan sub-accounts, the market rate loan account and the below market rate loan account.

In October 2007 and January 2008, the City made the second and third draws in the amount of $3.8 million and $3.9 million, respectively. The second borrowing bears an interest rate of 5.83% with principal amortizing from June 2008 through June 2027. The third borrowing bears interest rate of 5.09% with principal amortizing from June 2008 through June 2027. Both borrowings are for below market rate loan accounts.

In November 2008, the City made the fourth borrowing in the amount of $1.3 million. This draw bears an interest rate of 4.35% with principal amortizing from June 2009 through June 2028 and for below market rate loan account.

In November 2010, the City made the fifth borrowing under the Credit Agreement (Seismic Safety Loan Program, 1992) Series 2007A in the amount of $15 million. The fifth borrowing bears an interest rate of 4.91% with principal amortizing from June 2011 through June 2030. The fifth borrowing is for below market rate loans.

Debt service payments of the Seismic Safety Loan Program Government Obligation Bonds are funded through ad valorem taxes on property and principal repayments from borrowers of the loan program.

Certificates of Participation

In September 2010, the City issued City and County of San Francisco Refunding Certificates of Participation, Series 2010A for $138.4 million (the Refunding Certificates) to refund the City's Certificates of Participation (2789 25th Street), Series 1997; (555 7th Street Property), Series 1999; San Bruno Jail Replacement Project, Series 2000; and 25 Van Ness Avenue Project, Series 2001-1 (collectively the Prior Certificates) with an outstanding amount of $142.4 million. A portion of the proceeds of the Refunding Bonds was also used to pay the costs incurred in connection with issuance of the Refunding Certificates. The Series 2010A certificates mature from October 2011 through October 2033 with interest rates ranging from 3.0% to 5.0%.

Although the refunding resulted in the recognition of a deferred accounting loss of $5.0 million, the City in effect reduced its aggregate debt service payments by approximately $15.3 million over the next 22 years and obtained an economic gain (difference between present value of the old and new debt service payment) of $21.1 million.

At June 30, 2011, the City has a total of $574.2 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 $942.6 million payable through September 1, 2040. For the fiscal year ended June 30, 2011, principal and interest paid by the City totaled $156.1 million and $27.5 million, respectively. Of the $156.1 million of principal paid, $142.4 million was related to the refunding of the prior certificates of participation.

Lease Revenue Bonds

The changes in governmental activities – lease revenue bonds for the year ended June 30, 2011 were as follows:

Governmental Activities - Lease Revenue Bonds

Authorized and unissued as of June 30, 2010 ………………………………………………	$ 142,099
Increases in authorization this fiscal year	
Current year annual increase in Finance Corporation's equipment program ……….	2,527
Current year maturities in Finance Corporation's equipment program ……………...	7,085
Bond Issued:	
Series 2011A, San Francisco Finance Corporation………………………………...…….	(14,725)
Net authorized and unissued as of June 30, 2011 …………………………...…………	$ 136,986

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 amounts that are not applied towards the acquisition or construction of real and personal property such as unapplied acquisition funds, bond issue costs, amounts withheld pursuant to reserve fund requirements, and amounts designated for capitalized interest are recorded as deferred credits until such time as they are used for their intended purposes.

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to a Master Lease Agreement between the City and the San Francisco Finance Corporation for the use of equipment and facilities acquired, constructed and improved by the Finance Corporation. The total debt service requirement remaining on the lease revenue bonds is $352.7 million payable through June 2034. For the fiscal year ended June 30, 2011, principal and interest paid by the Corporation and the total lease payments made by the City totaled $15.1 million and $6.2 million, respectively.

(a) 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 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 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2011, the total authorized amount is $53.0 million. The total accumulated annual authorization since 1990 is $33.0 million of which $2.5 million is new annual authorization for the fiscal year ended June 30, 2011.

The equipment lease program functions as a revolving bond authorization fund. That is, for each dollar in bond principal that is repaid, a new dollar can be issued. The Finance Corporation has issued $172.3 million in equipment lease revenue bonds since 1991. As of June 30, 2011,

$142.1 million has been repaid leaving $30.2 million in equipment lease revenue bonds outstanding and $22.8 million available for new issuance.

In May 2011, the Finance Corporation issued its eighteenth series of equipment lease revenue bonds, Series 2011A in the amount of $14.7 million with interest rates ranging from 2.0% to 5.0%. The bonds mature from October 2012 to April 2017.

(b) Emergency Communication System Refinancing

In 1993, the voters approved the issuance of up to $50 million in lease revenue bonds to finance the acquisition and construction of a citywide emergency radio communication system (800 MHz). The Finance Corporation issued two series in January 1998 and February 1999 for $31.3 million and $18.7 million, respectively. Further, in 1994, the voters approved the issuance of up to $60 million in lease revenue bonds to finance the acquisition and construction of a combined emergency communication center to house the City's 911-emergency communication system. The Finance Corporation issued two series in June 1997 and in July 1998 for $22.6 million and $23.3 million, respectively.

In July 2010, the San Francisco Finance Corporation issued Lease Revenue Refunding Bonds (Emergency Communications System Refinancing) Series 2010-R1 in the amount of $22.3 million (the Refunding Bonds) to refund, on a current basis, the following outstanding bonds of the San Francisco Finance Corporation: Lease Revenue Bonds, Series 1997 (Combined Emergency Communications Center), Series 1998 (Combined Emergency Communications System), Series 1998-I (Citywide Emergency Radio System), and Series 1999-I (Citywide Emergency Radio System) with the outstanding amount of $26.8 million; to fund the Reserve Fund established under the Trust Agreement and to pay costs of issuance and delivery of the 2010-R1 Bonds. The Refunding Bonds begin to mature in April 2011 through April 2024 and interest rates range from 2.0% to 4.0%. The refunding resulted in an accounting loss of $0.5 million to the Corporation for the year ended June 30, 2011 but in effect achieved $7.7 million in gross debt service savings and net present value savings of $2.4 million.

(c) Moscone Center West Expansion Project

In 1996, the voters approved the issuance of up to $157.5 million in lease revenue bonds for the purpose of financing a portion of the costs of acquiring, constructing, and improving a free-standing expansion to the City's Moscone Convention Center located on the northwest corner of Howard and Fourth Street in the City. On November 2, 2000, Series 2000-1, 2000-2 and 2000-3 totaling $157.5 million (the "2000 Bonds") were issued. Each series of the bonds bear interest at a weekly rate and may bear interest at a different rate and in a different rate mode from other series of bonds.

In September 2008, the San Francisco Finance Corporation issued Lease Revenue Refunding Bonds (Moscone Center Expansion Project) Series S2008-1 and Series S2008-2 for a total of $145.3 million (the "Refunding Moscone Bonds") to provide funds, together with other available monies to the refund the 2000 Bonds to address the concerns regarding the credit provided by the bond insurer. A portion of the proceeds of the Refunding Bonds were also used to pay the cost of issuing the Bonds.

The Bonds are limited obligations of the Corporation payable from revenues which consist of base rental payments to be made by the City, and other amounts held in certain funds and accounts, established under an indenture of trust. The payment of the principal of and interest on each series of the Bonds and the purchase price of each series of the Bonds upon the optional or mandatory tender thereof will initially be supported by separate irrevocable direct-pay letters of credit issued by Bank of America, N.A. for Series 2008-1 and by State Street Bank and Trust Company for Series 2008-2. The Bonds were issued pursuant to Ordinance No. 203-08 adopted by the Board of Supervisors on August 12, 2008. The proceeds of the Bonds were used to provide funds, together with other City monies, to fully refinance a portion of the costs of acquiring, constructing and improving an expansion to the City's George R. Moscone Convention Center.

Owners of the Bonds may elect to have their Bonds, or portions of their Bonds, purchased at a purchase price equal to the principal amount of such Bonds (or portions thereof), plus accrued interest, if any, payable in immediately available funds, upon not less than seven (7) calendar days' irrevocable written notice. E.J. De La Rosa & Co., Inc. is the exclusive remarketing agent for the 2008-1 Bonds. Banc of America Securities LLC is the exclusive remarketing agent for the 2008-2 Bonds. The remarketing agents have agreed to use their best efforts to remarket the Bonds and have agreed to purchase for their own accounts Bonds tendered but not remarketed under certain conditions specified in remarketing agreements, at a price equal to 100 percent of the principal amount thereof plus accrued interest to the tender date.

Under irrevocable direct pay letters of credit issued by Bank of America, N.A. for Series 2008-1 and State Street Bank and Trust Company for Series 2008-2, the trustee is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The letters of credit are effective through September 9, 2014 or such later date or dates as may be extended, and to the extent there is a unreimbursed draw of the letter(s) of credit, carries a fluctuating rate per annum: (A) for any day prior to the date that is 31 days from and including the date of the draw the higher of (i) the Federal Funds Rate plus 2% and (ii) the Prime Rate plus 1% (the "Base Rate"), (B) on any day on or after the date that is 31 days from and including the date of the draw and prior to the date that is 61 from and including the date of the draw, a fluctuating rate of interest equal to the Base Rate plus 1%, (C) on any day on or after the date that is 61 days from and including the date of the draw, a fluctuating rate of interest equal to the Base Rate plus 2%, and (D) on any day after the maturity date for the draw, a fluctuating rate of interest equal to the Base Rate in effect on such date plus 3%.

If the remarketing agent is unable to resell any Bonds that are "tendered" within the six month anniversary of the "tender" date, the City has a reimbursement agreement with Bank of America, N.A. for Series 2008-1 and State Street Bank and Trust Company for Series 2008-2 to convert the bonds to an installment loan payable in six (6) equal semiannual installments, commencing on the six month anniversary of the date of the "tender" date and bearing a fluctuating interest rate equal to the Draw Rate. The reimbursement agreement expires September 9, 2014 or such later date or dates as extended by mutual agreement. If the reimbursement agreement were to be exercised because the entire outstanding balance of $133.4 million of demand bonds were "tendered" and not resold, the City would be required to pay an amount not to exceed the fair rental value per annum of the leased asset per year for three (3) years under the reimbursement agreement at a rate per annum equal to the Draw Rate.

The City is required to pay to Bank of America, N.A. an annual commitment fee for the letter of credit of 0.70 percent per annum of the outstanding principal amount of the Bonds, payable quarterly in arrears for Series 2008-1 Bonds and State Street Bank and Trust Company an annual commitment fee for the letter of credit of 0.72 percent per annum of the outstanding principal amount of the Bonds, payable quarterly in arrears for Series 2008-2 Bonds. For fiscal year 2011-12, the City will pay a commitment fee of approximately $0.5 million to Bank of America, N.A. for Series 2008-1 Bonds and $0.5 million to State Street Bank and Trust Company for Series 2008-2 Bonds. In addition, the remarketing agent receives an annual fee of 0.0725 percent of the outstanding principal amount of the Bonds, payable quarterly in arrears. For fiscal year 2011-12, the City will pay a remarketing fee of approximately $0.05 each to E.J. De La Rosa & Co., Inc. for Series 2008-1 Bonds and Banc of America Securities LLC for Series 2008-2 Bonds

The Refunding Moscone Bonds mature from April 2009 to April 2030. As of end of June 30, 2011, both series have a combined balance of $133.4 million and bear interest at a weekly rate. Interest rates as of June 30, 2011 for Series 2008-1 and Series 2008-2 were 0.05% and 0.04%, respectively.

San Francisco Marina West Harbor Loan

In March 2009, the City through the Recreation and Park Department entered into a loan agreement with the Department of Boating and Waterways (Department) of the State of California. Under the Small Craft Harbor Construction Loan agreement, the Department 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 are 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 Department with an assignment of rents and leases on marina revenues. In addition, the Department will receive a first lien position on the Marina Fund surplus revenues to cover any payment shortfall after construction completion. In January 2011, the Department authorized to fund the Phase V on the project for $7 million by an amendment to the loan agreement. Under amended agreement, the City shall 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) shall be accumulated during the first ten years of the loan repayment terms and thereafter be maintained at that level. During the year ended June 30, 2011, the City drew down $1.3 million and as of June 30, 2011, the amount of loan outstanding is $2.4 million.

(Dollars in Thousands)

Business-Type Activities Long-Term Liabilities

The following provides a brief description of the current year additions to the long-term debt of the business-type activities.

<u>San Francisco International Airport</u>

Second Series Revenue Bonds (Capital Plan Bonds)

The Airport has authorized the issuance of up to $718 million of capital plan bonds captioned San Francisco International Airport Second Series Revenue Bonds for the purposes of financing and refinancing 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 issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of fiscal year end, $103.7 million of such capital plan bonds remained unissued.

Second Series Revenue Bonds, Series 2010F/G (New Issue)

On August 5, 2010, the Airport issued its Second Series Revenue Bonds, Series 2010F (Non-AMT/Private Activity) and 2010F (Non-AMT/Governmental Purpose) in the aggregate principal amount of $128.5 million to retire commercial paper notes that had been issued to finance Airport capital projects. The Series 2010F/G Bonds are uninsured fixed rate term bonds due on May 1, 2035 and May 1, 2040, with a 5.00% interest rate.

The net proceeds of $128.2 million (consisting of the principal amount of the Series 2010F/G Bonds, less $0.3 million in net original issue discount and plus $30 of other Airport funds) were used to make a $4.7 million deposit to the Issue 1 Reserve Account (the Airport's parity reserve account), pay $0.8 million in costs of issuance, pay $0.7 million in underwriters' discount and retire the $121.9 million of outstanding commercial paper notes on August 5, 2010.

Second Series Revenue Refunding Bonds

Pursuant to sale resolutions approved between fiscal years 2005 through 2011, the Airport had authorized the issuance of up to $8.4 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Resolution Bonds and outstanding subordinate commercial paper notes, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. As of June 30, 2011, net of expired sale authorizations and refunding bonds issued over fiscal year 2011, $2.4 billion of such refunding bonds remained unissued.

Second Series Revenue Refunding Bonds, Series 2009A/B (Remarketing)

In September 2010, the Airport remarketed its $175.0 million Second Series Revenue Refunding Bonds, Series 2009A/B (Non-AMT/Private Activity) as long-term bonds with fixed interest rates to their respective maturity dates. The Series 2009A/B Bonds were originally issued in September 2009 with a May 1, 2029 nominal final maturity date but were scheduled to become due in a single "balloon" payment on September 15, 2010.

The Series 2009A/B Bonds were remarketed at par plus accrued interest, with the $175.0 million proceeds of the remarketing and the $0.49 million accumulated in the related interest accounts being used to pay the purchase price of the bonds on the September 15, 2010 mandatory tender date. When originally issued, each series of the Series 2009A/B Bonds was secured by a separate reserve account. Following the remarketing, the Series 2009A/B Bonds were secured by the Airport's parity reserve (the Issue 1 Reserve Account). Of the $13.9 million released from the separate reserve accounts, $12.5 million was deposited into the Issue 1 Reserve Account, $0.5 was used to pay costs of issuance, and $0.9 was used for underwriter compensation.

Second Series Revenue Refunding Bonds, Series 2011A/B

In February 2011, the Airport issued its long-term fixed rate Second Series Revenue Refunding Bonds, Series 2011A (AMT/Private Activity) and 2011B (Non-AMT/Governmental Purpose), in the principal amount of $155.4 million to defease and refund $114.1 million of outstanding fixed rate bonds (from Issues 26A, 27A and 27B), retire $11.5 million in outstanding commercial paper notes, and defease and refund $41.1 million of Series 2008A-3 Notes in advance of their May 1, 2011 mandatory tender date. The Series 2011A Bonds mature between May 1, 2012 and May 1, 2019 and bear interest at rates between 4.00% and 5.75%. The Series 2011B Bonds mature between May 1, 2012 and May 1, 2021 and bear interest at rates between 4.00% and 5.50%.

The net proceeds of $178.6 million (consisting of the par amount of the Series 2011A/B Bonds, plus original issue premium of $8.7 million, plus $4.6 million accumulated in the Debt Service Fund relating to the refunded bonds, plus $10.0 million released from the Series 2008A-3 Reserve Account) were used to pay $0.7 million in underwriters' discount and $1.2 million in costs of issuance, make a $5.7 million deposit to the Issue 1 Reserve Account, retire $11.5 million of commercial paper notes, and make a $159.6 million deposit to irrevocable escrow funds with the bond trustee to defease and refund $155.2 million in revenue bonds and notes described below.

	Amount Purchased	Interest Rate	Purchase Price
Second Series Revenue Bond:			
Issue 26A	$ 3,050	5.00%	101%
Issue 27A	41,470	5.50%	100%
Issue 27B	69,625	5.00%-5.25%	100%
	114,145		
Series 2008A Notes			
2008A-3	41,065	6.75%	100%
Total Refunded	$ 155,210		

The refunded bonds were redeemed on March 24, 2011 (Issue 26A) and May 1, 2011 (Issue 27A, Issue 27B, Series 2008A-3). Accordingly, the liability for these bonds has been removed from the accompanying statements of net assets.

The refunding resulted in the recognition of a deferred accounting gain of $0.5 million for fiscal year ended June 30, 2011. The Airport reduced its aggregate debt service payments by approximately $13.0 million over the next ten years and obtained an economic gain (the difference between the present values of the old debt and the new debt) of $10.9 million.

Second Series Variable Rate Revenue Refunding Bonds, Issue 36B (Remarketing)

In May 2011, the Airport remarketed its $40.6 million Second Series Variable Rate Revenue Refunding Bonds, Issue 36B (Non-AMT/Private Activity) in connection with a new letter of credit from U.S. Bank National Association. The Issue 36B bonds were originally secured by a letter of credit from Union Bank of California, N.A., which expired on May 6, 2011. The Issue 36B Bonds were remarketed with original maturity date of May 1, 2026 and no changes to principal amortization.

Payment of principal and purchase price of the interest on the Issue 36B Bonds following the remarketing will be secured by an irrevocable direct-pay letter of credit issued by U.S. Bank National

(Dollars in Thousands)

Association. The letter of credit will be in effect from the date of remarketing through May 2, 2014. Because the Issue 36B Bonds are secured by a letter of credit they are not secured by a reserve account. The costs of remarketing are paid by the Airport funds.

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 notational amount of $405.0 million, in connection with the anticipated issuance of Second Series Variable Rate Revenue Refunding Bonds, Issue 32A-E in February 2005, and Second Series Variable Rate Revenue Refunding Bonds, Issue 33 in February 2006. The swap structure was intended as a means to increase the Airport's debt service savings when compared with fixed rate refunding bonds at the time of issuance. The expiration date of the 2004 swaps is May 1, 2026. In July 2007, the Airport entered into four additional forward starting interest rate swaps in connection with the anticipated issuance of its Second Series Variable Rate Revenue Refunding Bonds, Issue 37B/C, in May 2008 (the "2007 swaps"), and Second Series Variable Rate Revenue Refunding Bonds, Series 2010A, in February 2010 (the "2010 swaps"). The expiration dates of the 2007 and 2010 swaps are May 1, 2029, and May 1, 2030, respectively.

In the spring of 2008, the Airport refunded several issues of auction rate and variable rate obligations, 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 concurrently with 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, Depfa 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 Depfa swap, the Series 2010A-3 Bonds are no longer hedged with the interest rate swap. The swap associated with the Issue 37B Bonds, however, is now associated with the Series 2010A-3 Bonds and a $7.7 million portion of the previously unhedged Issue 37D Bonds.

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.

As of June 30, 2011, the fair value of the Airport's seven outstanding swaps, which had a total notional amount of $513.4 million are as follows:

Associated Bonds	Notional Amount	Effective Date	Bank Counterparty
36AB	$ 70,000	2/10/2005	J.P. Morgan Chase Bank N.A.
36A	69,930	2/10/2005	J.P. Morgan Chase Bank N.A.
36C	30,000	2/10/2005	J.P. Morgan Chase Bank N.A.
36D	29,970	2/10/2005	J.P. Morgan Chase Bank N.A.
37B [1]	79,684	5/15/2008	Merrill Lynch Capital Services, Inc.
37C	89,856	5/15/2008	J.P. Morgan Chase Bank N.A.
2010A	143,947	2/1/2010	Goldman Sachs Bank USA
	$ 513,387		

[1] The swap previously associated with Issue 37B is now associated with Series 2010A-3 and a portion of Issue 37D.

The 2004 swaps hedging the Issue 36A-D Bonds terminate in May 2026, the final maturity date of the Issue 36 Bonds. The following is additional information regarding the 2004 swaps and the counterparty as of June 30, 2011:

			Counterparty credit ratings			
Counterparty/guarantor	Initial Notional Amount	Fixed rate payable by Airport	Moody's	S&P	Fitch	Fair value to Airport
J.P. Morgan Chase Bank, N.A.	$ 70,000	3.4440%	Aa1	AA-	AA-	$ (7,004)
J.P. Morgan Chase Bank, N.A.	30,000	3.4440%	Aa1	AA-	AA-	(3,002)
J.P. Morgan Chase Bank, N.A.	69,930	3.4400%	Aa1	AA-	AA-	(7,004)
J.P. Morgan Chase Bank, N.A.	29,970	3.4450%	Aa1	AA-	AA-	(3,002)
(Aggregate notional amount)	$ 199,900					$ (20,012)

The 2007 swaps hedging the Issue 37B Bonds and the 37C Bonds terminate in May 2029, which is the final maturity date of the Issue 37C Bonds. The following is additional information regarding the 2007 swaps and the counterparty as of June 30, 2011:

			Counterparty credit ratings			
Counterparty/guarantor	Initial Notional Amount	Fixed rate payable by Airport	Moody's	S&P	Fitch	Fair value to Airport
Merrill Lynch Capital Services	$ 79,684	3.8980%	A2	A	A+	$ (12,053)
J.P. Morgan Chase Bank, N.A.	89,856	3.8980%	Aa1	AA-	AA-	(13,591)
(Aggregate notional amount)	$ 169,540					$ (25,644)

The swap relating to the 2010A Bonds terminates in May 2030, the final maturity date of the Series 2010A Bonds. The following is additional information regarding the 2010 swap and the counterparty as of June 30, 2011:

			Counterparty credit ratings			
Counterparty/guarantor	Initial Notional Amount	Fixed rate payable by Airport	Moody's	S&P	Fitch	Fair value to Airport
Goldman Sachs Bank USA	$ 143,947	3.9250%	Aa3	A	A+	$ (22,648)
(Aggregate notional amount)	$ 143,947					$ (22,648)

(Dollars in Thousands)

Fair Value – The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All 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 bonds due on the date of each future net settlement payment on the swaps.

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 ending June 30, 2011, the Airport received $0.6 million in excess payments from its counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

Credit Risk – As of June 30, 2011, 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 becomes 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. The Airport's swap policy limits counterparty credit risk by limiting exposure to any one counterparty at the time a swap is executed to not more than 20% of the total portfolio. While the Airport's exposure to J.P. Morgan Chase Bank, N.A. and affiliates complied with the swap policy when the applicable swaps were executed, the Airport's exposure as of June 30, 2011 exceeded this threshold due to JPMorgan's acquisition of Bear Stearns Capital Markets, Inc. The swap policy does not require remedial action in this case.

Termination Risk – All of the interest rate swaps are terminable at their market value at any time at the option of the Airport. The Airport has limited termination risk with respect to the interest rate swaps. That risk would arise primarily from certain credit-related events or events of default on the part of the Airport, the municipal swap insurer, or the counterparty.

The Airport has secured municipal swap insurance for all its regular payments and some termination payments due under all its interest rate swaps except the swaps associated with the Series 2010A Bonds, from the following insurers:

Swap	Swap Insurer	Insurer credit ratings June 30, 2011 (S&P/Moody's)
Issue 36C	Assured Guaranty Municipal Corp.	AA+/Aa3
Issue 36AB (two swaps)	FGIC/National Public Finance Guarantee Corporation	WD/WD*
Issue 36D	Assured Guaranty Municipal Corp.	AA+/Aa3
Issue 37C	Assured Guaranty Municipal Corp.	AA+/Aa3
Series 2009D	Assured Guaranty Municipal Corp.	AA+/Aa3
Series 2010A	None	N/A

* S&P downgraded FGIC's credit ratings to "CC" from "CCC" and subsequently withdrew their ratings on FGIC on April 22, 2009. Moody's downgraded FGIC from "Caa3" from "Caa1" and subsequently withdrew their ratings on FGIC on March 24, 2009.

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 include a rating downgrade below investment grade 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 impact of the interest rate swaps on the financial statements for the year ended June 30, 2011 is as follows:

	Deferred outflows on derivative instrument	Derivative instrument liabilities
Balance June 30, 2010	$ 89,505	$ 94,838
Change in fair value to year end	(26,123)	(26,534)
Balance June 30, 2011	$ 63,382	$ 68,304

Deferred outflows on derivative instrument of $63.4 million as of June 30, 2011 represented deferred outflows of resources offsetting interest rate swap liabilities in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), in fiscal year 2011.

Derivative instrument liabilities of $68.3 million as of June 30, 2011 represented the recording of the fair values of interest rate swap contracts per GASB 53.

(Dollars in Thousands)

Variable Rate Demand Bonds

Included in long-term debt as of June 30, 2011 is $535 million of Second Series Variable Rate Revenue Refunding Bonds, Issues 36A/B/C/D, Issues 37C/D and Series 2010A (collectively, the "Variable Rate Bonds") in a weekly variable rate mode that mature on May 1, 2026 (Issues 36A/B/C/D), May 1, 2029 (Issues 37C), and May 1, 2030 (Issue 37D and Series 2010A). The Variable Rate Bonds are long-term tax-exempt bonds that 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 a fixed rate to maturity, upon appropriate notice by the Airport.

The scheduled payment of the principal and purchase price of and interest on the Issues 36A/B and Series 2010A bonds is secured by three separate irrevocable direct-pay letters of credit issued to the bond trustee for the benefit of the applicable bondholders by the banks identified in the table below. The scheduled payment of principal of and interest on the Issues 36C/D and 37C/D bonds when due is guaranteed under several bond insurance policies issued by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), while the payment of the purchase price of the Issues 36C/D and 37C/D bonds upon tender for purchase is payable, subject to the satisfaction of certain conditions precedent, from amounts made available pursuant to four standby bond purchase agreements with Dexia Crédit Local, acting through its New York Branch.

Amounts drawn under a standby bond purchase agreement or a letter of credit 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 letters of credit and standby bond purchase agreements range between 0.55% and 1.35% per annum. As of June 30, 2011, there were no unreimbursed draws under these facilities.

In May 2011, the Airport remarketed its Second Series Variable Rate Revenue Refunding Bonds, Issue 36B (Non-AMT/Private Activity) with a new three-year letter of credit from U.S. Bank National Association. The bonds were originally issued with a letter of credit from Union Bank of California, N.A., which expired in May 2011.

The primary terms of the standby bond purchase agreements and letters of credit are as follows:

	Issue 36A	Issue 36B	Issue 36 C/D	Issue 37C/D	Series 2010A
Principal Amount.......	$100,000	$40,620	$68,830	$109,585	$215,970
Type.......................	Letter of Credit	Letter of Credit	Standby Bond Purchase Agreement	Standby Bond Purchase Agreement	Letter of Credit
Expiration Date..........	May 7, 2013	May 2, 2014	May 15, 2013	May 15, 2013	January 31, 2014
Insurer.....................	n/a	n/a	Assured Guaranty Municipal Corp.	Assured Guaranty Municipal Corp.	n/a
Credit/Liquidity Provider..................	Wells Fargo Bank, National Association	U.S. Bank National Association	Dexia Credit Local, New York Branch	Dexia Credit Local, New York Branch	JPMorgan Chase Bank, N.A.

San Francisco Water Enterprise

In July 2010, the Water Enterprise issued revenue bonds 2010 Series DE in the combined principal amount of $446.9 million. The Sub-Series D bonds were issued as tax-exempt bonds, while the Sub-Series E bonds were issued as Build America Bonds with a Direct Pay Subsidy. The $102.7 million Sub-Series D bonds provided $72.2 million in new money for Water System Improvement Program (WSIP) implementation and also provided $35.1 million to advance refund a portion of the Water Revenue Bonds, Series 2002 A bonds, as well as providing funds for financing costs. The refunding of Water Revenue Bonds 2002 Series A by Water Revenue Bonds 2010 Sub-Series D resulted in accounting loss of $3.4 million but achieved net present value debt service savings of $2.7 million of 8.6% of the refunded principal. The $344.2 million Sub-Series E bonds provided $300.0 million in new

money for WSIP projects, with the balance applied to financing costs. The bonds included serial and term bonds with interest rates varying from 3.0% to 6.0%, and mature through November 1, 2040.

In December 2010, the Water Enterprise issued revenue bonds 2010 Series FG in the combined principal amount of $532.4 million. The Sub-Series F bonds were issued as tax-exempt bonds, while the Sub-Series G bonds were issued as Build America Bonds with a Direct Pay Subsidy. The $181.0 million Sub-Series F bonds provided $149.7 million in new money for WSIP. The $351.5 million Sub-Series G bonds provided $288.3 million in new money for WSIP projects, with the balance applied to financing costs. The bonds included serial and term bonds with interest rates varying from 3.0% to 6.9%, and mature through November 1, 2050.

Component Unit Debt – San Francisco Redevelopment Agency

The current year debt activities of the Redevelopment Agency are discussed in Note 12.

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plan

The City maintains a cost-sharing multiple-employer defined benefit pension plan (the Plan), which covers substantially all of its employees, and certain classified and certified employees of the San Francisco Community College District and Unified School District, and San Francisco Trial Court employees other than judges. Due to the relative insignificance of the other employers in the Plan, the City presents disclosure information for the Plan as if it were a single-employer plan. The Plan is administered by the San Francisco City and County Employees' Retirement System (the Retirement System). Some City employees participate in the California Public Employees Retirement System (PERS), agent or cost-sharing multiple-employer, public employee pension plans, which cover certain employees in public safety functions, the Port, the Airport, the San Francisco County Transportation Authority and the Redevelopment Agency.

Employees' Retirement System

Plan Description – Substantially all full-time employees of the City participate in the Plan. The Plan provides basic service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. 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 Plan. The retirement related payroll for employees covered by the Retirement System for the year ended June 30, 2011 was approximately $2.4 billion. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, CA 94102 or by calling (415) 487-7020.

Legislative Changes to the Plan – In June 2010, the voters of the City approved a Charter amendment to create new benefit plans for miscellaneous employees and firefighter and police employees who are hired on or after July 1, 2010. The new benefit plan covering miscellaneous employees hired on or after July 1, 2010 provides for a service retirement benefit, which 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. The two new benefit plans covering firefighter and police employees hired on or after July 1, 2010 provide for: a) an increase in required employee contributions from 7.5% of covered compensation in the previous safety plans to 9% of covered compensation, and b) a service retirement benefit, which 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.

(Dollars in Thousands)

Membership of the Retirement System consisted of the following as of June 30, 2011:

	Police	Fire	Miscellaneous	Total
Retirees and beneficiaries currently receiving benefits	2,258	2,081	19,860	24,199
Active members	2,042	1,350	24,708	28,100
Terminated members entitled to but not yet receiving benefits	121	63	5,266	5,450
Total	4,421	3,494	49,834	57,749

Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Deferred Retirement Option Program – In February 2008, the voters of the City and County approved a Charter amendment to provide a Deferred Retirement Option Program (DROP) for certain Police members of the Plan to be effective July 1, 2008. An eligible police officer could elect to participate in DROP for a specified period of time up to a maximum of three years depending on the rank of the police officer. While participating in DROP, the police officer continues to work and receive pay as a police officer and accrues monthly DROP distributions posted to a nominal account maintained by the Retirement System. The monthly DROP distribution is equal to the participant's monthly service retirement allowance calculated as of the participant's entry into DROP. Interest at an annual effective rate of 4% and applicable COLAs are posted to the participant's DROP account during participation in DROP. Upon exiting from DROP, the participant receives a lump sum distribution from his or her DROP account and begins to receive a monthly service retirement allowance calculated using age, covered compensation and service frozen as of the date of his or her entry into DROP. DROP expired on June 30, 2011.

Changes in DROP liabilities during the year ended June 30, 2011 are as follows:

DROP liability, beginning of year	$ 8,653
Additions	16,088
Distributions	(7,100)
DROP liability, end of year	$ 17,641

Funding Policy – Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2010-11 varied from 7% to 9% as a percentage of gross salary. For fiscal year ended June 30, 2011, 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, 2009 actuarial report, the required employer contribution rate for fiscal year 2010-11 was 13.56%.

Employer contributions and employee contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions.

Annual Pension Cost – The annual required contribution for the current year was determined as part of an actuarial valuation performed as of July 1, 2009. The actuarial method used was the entry age normal cost method. The significant actuarial assumptions include: (1) annual rate of return on investments of 7.75%; (2) cost of living adjustments of 2% to 4.5%; and (3) salary merit increases of 4.5%. The actuarial value of Retirement System assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 5-year period. Unfunded liabilities are amortized using the level percentage of payroll method. Changes in actuarial gains and losses assumptions and supplemental COLAs are amortized as a level percentage of pay over an open 15-year period. Plan amendments and changes in interest crediting rate are amortized over a closed 20-year period.

Three-year trend information is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	$ 119,750	100%	$ -
6/30/2010	223,614	100%	-
6/30/2011	308,823	100%	-

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date, the actuarial value of assets was $16.1 billion; the actuarial accrued liability was $17.6 billion; the total unfunded actuarial accrued liability was $1.6 billion; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 91.1%; the annual covered payroll was $2.4 billion; and the ratio of the unfunded actuarial liability to annual covered payroll was 65.6%. The actuarial assumptions used were the same as described in the Annual Pension Cost section above except the assumptions for the cost of living adjustments of 2% to 5% and salary merit increase of 5%. The Retirement System's actuarial accrued deficit from its July 1, 2010 actuarial valuation increased from a deficit of $493.9 million to a deficit of $1.6 billion primarily due to investment experience during the year ended June 30, 2009. The actuarial value of assets is "smoothed" in order to mitigate the impact of investment performance volatility on employer contribution rates. Because asset valuations are smoothed and the full investment losses from the year ended June 30, 2009 have not been recognized, the contribution rate is expected to increase over the next three years assuming investment returns equal the assumed rate and all other actuarial assumptions are met. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

California Public Employees' Retirement System

Various City public safety, Port, and all Redevelopment Agency and San Francisco County Transportation Authority employees are eligible to participate in PERS. Disclosures for the San Francisco County Transportation Authority and Redevelopment Agency are included in the separately issued financial statements.

Plan Description – The City contributes to PERS, an agent multiple-employer public employee defined benefit pension plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. Effective with the PERS June 30, 2003 actuarial valuation, PERS mandated that the City's miscellaneous members plan be included in a cost-sharing multiple-employer plan consisting of various government entities with plan memberships of less than 100 active members. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814. A separate report for the City's plan within PERS is not available.

Miscellaneous Plan

Funding Policy – Miscellaneous plan – Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the miscellaneous plan, the fiscal year 2010-11 contribution rate is 0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost – Miscellaneous plan – Cost for PERS for fiscal year 2010-11 was equal to the City's required and actual contributions, which was determined as part of the June 30, 2008 actuarial valuation using the entry age actuarial cost method.

(Dollars in Thousands)

Three-year payment trend information is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	$ -	N/A	$ -
6/30/2010	-	N/A	-
6/30/2011	-	N/A	-

Safety Plan

Funding Policy – Safety plan – Participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. For the safety plan, the fiscal year contribution rate is 18.24%. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost – Safety Plan – The cost for PERS for fiscal year 2010-11 was equal to the City's required and actual contributions, which was determined as part of the June 30, 2008 actuarial valuation using the entry age actuarial cost method. The assumptions included in the June 30, 2008 actuarial valuation were: (a) 7.75% investment rate of return (net of administrative expenses), (b) 3.25% to 13.15% projected annual salary increases that vary by age, service and type of employment, and (c) 3.25% per year cost-of-living adjustments. The cost-of-living adjustment includes an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. Changes in unfunded liability/(excess assets) due to changes in actuarial methods or assumptions or changes in plan benefits are amortized over as a level percentage of pay over a closed 20 year period.

Three-year trend information is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	$ 15,926	100%	$ -
6/30/2010	15,657	100%	-
6/30/2011	16,664	100%	-

Funded Status and Funding Progress – As of June 30, 2009, the most recent actuarial valuation date, the actuarial value of assets was $707.6 million; the actuarial accrued liability was $758.1 million; the total unfunded actuarial accrued liability was $50.5 million; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 93.3%; the annual covered payroll was $101.9 million; and the ratio of the unfunded actuarial liability to annual covered payroll was 49.6%. The assumptions included in the June 30, 2009 actuarial valuation were: (a) 7.75% investment rate of return (net of administrative expenses), (b) 3.55% to 13.15% projected annual salary increases that vary by age, service and type of employment, and (c) 3.25% per year cost-of-living adjustments. The cost-of-living adjustment includes an inflation component of 3.00%. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(b) 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.

(c) 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 $583.3 million in fiscal year 2010-11. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California. Included in this amount is $182.0 million to provide postemployment health care benefits for 24,182 retired participants, of which $145.0 million related to the City employees. The City's liability for both current employee and 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 200, San Francisco, CA 94103 or by calling (800) 541-2266.

(d) Postemployment Health Care Benefits

City (excluding the San Francisco County Transportation Authority and the San Francisco Redevelopment 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.

Funding Policy – The contribution requirements of plan members and the City are based on a pay-as-you-go basis. For fiscal year ended June 30, 2011, the City paid approximately $145.8 million on behalf of its retirees.

Annual OPEB Cost and Net OPEB Obligation – The City's annual other postemployment benefits (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over thirty years. The ARC was determined based on the July 1, 2008 actuarial valuation.

The net OPEB obligations are reflected in the statements of net assets 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	$ 384,334
Interest on Net OPEB obligation	36,243
Adjustment to annual required contribution	(28,426)
Annual OPEB cost	392,151
Contribution made	(145,756)
Increase in net OPEB obligation	246,395
Net OPEB obligation - beginning of year	852,782
Net OPEB obligation - end of year	$ 1,099,177

(Dollars in Thousands)

The table below shows how the total net OPEB obligation as of June 30, 2011, is distributed.

Governmental activities	$ 615,227
Business-type activities	448,966
Fiduciary funds	34,984
Net OPEB obligation - end of year	$ 1,099,177

Eligible fiduciary funds' employees are City employees and thereby eligible for postemployment health benefits. These obligations are reported as other liabilities in the City's fiduciary funds financial statements.

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$ 430,924	27.8%	$ 605,397
6/30/2010	374,214	33.9%	852,782
6/30/2011	392,151	37.2%	1,099,177

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, 2008, the most recent actuarial valuation date, the funded status of the Retiree Health Care Benefits was 0%. The actuarial accrued liability for benefits was $4.4 billion, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $4.4 billion. For the year ended June 30, 2011, the estimated 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 176.0%.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation as of July 1, 2008, 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 expected payroll over an open 30-year period. The actuarial assumptions included a 4.25% investment rate of return on investment; 4.25% payroll growth; annual healthcare and vision cost trend rates using the actual rates for fiscal year ended June 30, 2010 and 3% per year thereafter, and an annual blended healthcare cost trend rate of 9% in the fiscal year ended June 30, 2011, reduced by 0.5% each year to an ultimate rate of 5% in the eighth year and beyond.

San Francisco County Transportation Authority

The San Francisco County Transportation Authority (SFCTA) maintains a separate single-employer defined benefit OPEB plan and reported a net OPEB obligation of $0 as of June 30, 2011. SFCTA's most recent actuarial valuation was performed as of January 1, 2010, covering the fiscal years ended June 30, 2010 and June 30, 2011. SFCTA's OPEB plan was for retiree healthcare benefits and was 46.3% funded and the unfunded actuarial accrued liability was $0.2 million. Details of SFCTA's OPEB plan may be found in its financial statements for the fiscal year ended June 30, 2011. Financial statements for SFCTA can be obtained from their finance and administrative offices at 100 Van Ness Avenue, 26th Floor, San Francisco, CA 94102.

As of June 30, 2011, the SFCTA's annual OPEB expense of $113 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
6/30/2009	$ 86	100%	$ -
6/30/2010	110	100%	-
6/30/2011	113	100%	-

San Francisco Redevelopment Agency

The San Francisco Redevelopment Agency (the Agency) maintains a separate OPEB single-employer defined benefit plan and reported a net OPEB obligation of $0.5 million as of June 30, 2011. The Agency's most recent actuarial valuation was performed as of June 30, 2009, and was the basis for the ARC for the fiscal year ended June 30, 2011. The Agency's OPEB plan was for retiree healthcare benefits and was 3.6% funded and the unfunded actuarial accrued liability was $13.3 million. Details of the Agency's OPEB plan may be found in its financial statements for the fiscal year ended June 30, 2011. Financial statements for the Agency can be obtained from their finance and administrative offices at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94102.

The following table shows the components of the Agency's annual OPEB cost for the year, the amount contributed to the plan, and changes in its net OPEB obligation:

Annual required contribution	$ 1,359
Interest on Net OPEB obligation	49
Adjustment to annual required contribution	(62)
Annual OPEB cost	1,346
Contribution made	(1,519)
Increase in net OPEB obligation	(173)
Net OPEB obligation - beginning of year	643
Net OPEB obligation - end of year	$ 470

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$ 1,298	95%	$ 552
6/30/2010	1,296	93%	643
6/30/2011	1,346	113%	470

Proposition B – A City Charter Amendment Changing Qualifications for Retiree Health and Pension Benefits and Establishing a Retiree Health Care Trust Fund

Proposition B was passed by voters on June 3, 2008, and increased the years of service required to qualify for employer-funded retiree health benefits for City employees and certain employees of the San Francisco Unified School District, San Francisco Community College District, and the San Francisco Superior Court who retire under the San Francisco Employees Retirement System and were hired on or after January 10, 2009. Employees hired before January 10, 2009, became eligible to participate in the retirement health care system after 5 years of service and the employer paid 100% of the contribution. Now it states that between 5-10 years of service, there is no employer contribution, at 10-15 years there is a 50% contribution, between 15-20 years there is 75% contribution and only after 20 years of service will the employer pay 100% of the contribution.

Proposition B also stated that a separate Retiree Health Care Trust Fund would be created to pay for the City's future costs related to retiree health care. This trust fund will be funded by employer and employee contributions for employees hired on or after January 10, 2009. These new employees would contribute up to 2% of their pre-tax pay and employers would contribute 1%. The San Francisco Community College District and San Francisco Unified School District have the option to participate in and contribute to this trust fund if approved by their governing boards.

The City established the Retiree Health Care Trust Fund to receive contributions for the purpose of providing a funding source for certain post-employment benefits other than pension in fiscal year 2011. 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.

(10) San Francisco County Transportation Authority

The San Francisco County Transportation Authority (SFCTA) 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 (the Plan), which was approved as part of Proposition B. The SFCTA 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 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). Within 20 years of the effective date of the adoption of the Proposition K Expenditure Plan, the SFCTA may modify the Expenditure Plan with voter approval. Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the SFCTA Board may adopt an updated Expenditure Plan anytime 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 SFCTA 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. In addition to the sales tax program, the SFCTA also administers the following programs:

Congestion Management Agency Programs. In November 1990, the SFCTA 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 SFCTA is responsible for establishing the City's priorities for state and federal transportation funds and works with the Metropolitan Transportation Commission (MTC) to program those funds to San Francisco projects.

Transportation Fund for Clean Air (TFCA) Program. On June 15, 2002, the SFCTA was designated to act as the overall program manager for the local guarantee (40%) share of transportation funds available through the Transportation Fund for Clean Air (TFCA) program. Funds from this program, administered by the Bay Area Air Quality Management District (BAAQMD) come from a $4 vehicle registration fee on automobiles registered in the Bay Area. Through this program, the SFCTA recommends projects that benefit air quality by reducing motor vehicle emissions.

Prop AA Program. On November 2, 2010, San Francisco voters approved Prop AA amending the City's Business and Tax Regulations Code to add $10 to the existing annual registration fee for vehicles registered in San Francisco to fund transportation projects. This increase applies to vehicle registrations and renewals beginning May 2, 2011. Under the SFCTA's Prop AA Expenditure Plan, proceeds from the fee would be spent on projects in the following categories: (1) Street Repairs and Reconstruction (50% of fee revenue); (2) Pedestrian Safety (25% of fee revenue); and (3) Transit Reliability Improvements (25% of fee revenue). In addition, the SFCTA would determine the specific projects and could use up to 5% of the funds for administrative costs.

(11) Detailed Information for Enterprise Funds

(a) San Francisco International Airport

San Francisco International Airport (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 final data for calendar year 2010 from the Airports Council International (ACI), the Airport is one of the largest airports in the United States both in terms of passengers (9th) and air cargo (13th). The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

Pledged Revenues under the 1991 Master Resolution – Under the terms of the 1991 Master Bond Resolution, for a Series of Second Series Revenue Bonds to be secured by the Airport's parity common account (the Issue 1 Reserve Account), the Airport is required to deposit with the trustee an amount equal to the maximum debt service accruing in any year during the life of all Second Series Revenue Bonds secured by the Issue 1 Reserve Account or substitute a credit facility meeting those requirements. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of bonds. While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified insurance.

Under the terms of the 1991 Master Bond Resolution, the Airport has covenanted that it will establish and at all times maintain rentals, rates, fees, and charges for the use of the Airport and for services rendered by the Airport so that:

(a) Net revenues (as defined in the bond resolutions) 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 all payments required to be made to the City and

(Dollars in Thousands)

(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 the U.S. generally accepted accounting principles used to determine amounts reported in the Airport's financial statements.

Passenger Facility Charges – The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of $4.50 for each enplaning passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC charges and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. The Airport's most recent application amendment of $609.1 million was approved by the FAA in September 2006. The current authority to impose PFCs is estimated to end January 1, 2017. For the year ended June 30, 2011, the Airport reported approximately $77.0 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 was $95.1 million of Special Facilities Lease Revenue Bonds outstanding as of June 30, 2011, 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.

Purchase commitments for construction, material and services as of June 30, 2011 are as follows:

Construction	$ 29,782
Operating	7,048
Total	$ 36,830

Transactions with Other Funds and Business Concentrations – 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, but not less than $5 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, 2011 was $30.2 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, 2011 was $ 111.9 million.

In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. During the year ended June 30, 2011, revenues realized from the following the Airport tenants exceeded five percent of the Airport's total operating revenues:

United Airlines	21.6%
Parking Revenues / New South Parking	14.2%

(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 owned and 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.

34th America's Cup – San Francisco was selected on December 31, 2010 to host the 34th America's Cup and related events (Event) under terms set forth in the Host and Venue Agreement (HVA) between the City and the America's Cup Event Authority, LLC (Event Authority) approved by the Board of Supervisors. The HVA is subject to completion of environmental review of the Event under the California Environmental Quality Act (CEQA). The HVA contractually obligates the City to perform certain planning and analysis (including CEQA review) of the proposed Event, but the City cannot commit to holding the Event until a final environmental impact report has been certified and the City has approved the project. Assuming project approval after CEQA review, the HVA contemplates that the America's Cup Event Authority would complete approximately $55 million in substructure and infrastructure repairs and improvements to certain Port facilities in exchange for certain long-term development rights. The City, through the Port, would also provide rent-free use of these and other facilities for short-term race activities occurring in 2012 and 2013. The HVA would also require the Port to incur a number of one-time costs to prepare the facilities, including the relocation or removal of tenants from affected facilities. Hosting of the Event is anticipated to generate significant economic benefits to the San Francisco region and increased tax revenues to the City. The City and Port have agreed on certain strategies to finance the costs of the Event and to mitigate some of the fiscal and operational impacts to the Port. In April 2011, the City and the Port entered into a memorandum of understanding (MOU) for payments in-lieu of rent, to reimburse the Port certain race-induced lost revenues as defined by the MOU. The MOU expires on June 30, 2014. While this MOU defines certain obligations of the City and Port in planning for the Event, should CEQA be approved, execution of the MOU does not approve or finalize any material terms and conditions of the Event.

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 $36.7 million in Revenue Bonds issued in 2010. Annual principal and interest payments through 2040 are expected to require less than 16% 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 $72.6 million. The first debt service payments of $2.8 million on the Revenue Bonds were made in 2011 and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2011 were $18.1 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 $4.2 million. Annual principal and interest payments were $0.2 million in 2011 and pledged harbor revenues were $0.1 million for the year ended June 30, 2011.

Commitments and Contingencies – The Port is presently planning various development and capital projects that involve a commitment to expend significant funds. The development plan for the Pier 70 area in particular will require complex financing strategies including an array of public and private financing mechanisms in order to accomplish the Pier 70 Master Plan objectives, which include environmental remediation, preservation and adaptive reuse of historic buildings, construction of new infrastructure and public open spaces. The Port has pursued State legislative changes to increase funding options to address future capital requirements. In 2005, Senate Bill No. 1085 amended the California Government Code to enable the City and the Port to form, in the Port area, infrastructure financing districts ("IFD") pursuant to Section 53395 et seq. Among other things, this legislation enumerated additional infrastructure improvements that qualify for infrastructure financing districts, including seismic upgrades, historic renovation, environmental remediation, utility improvements, and structural repair or construction of seawalls, piers and wharves. The most recent approved and authorized City parks and open space general obligation bond, 2008 Clean and Safe Neighborhood Parks, included $33.5 million for parks and open space projects 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, 2011, $21.5 million of Port funds have been appropriated and $6.1 million has been expended for projects under the agreement. In 2011, the Port and the United States Army Corps of Engineers entered into a cooperative agreement for a federal contract to cover the removal of Pier 36 in support of the Brannan Street Wharf project. This cost-sharing arrangement for pier removal is supported by a $4.8 million federal appropriation. An additional $6.1 million has been identified for appropriation and expenditure on Plan projects subsequent to June 30, 2011.

As of June 30, 2011, the Port had purchase commitments for construction-related services, materials and supplies, and other services were $16.5 million for capital projects and $2.1 million for general operations.

In November 2002, a maritime vessel known as Drydock #1 broke free from its moorings at Pier 70 and went adrift in very high winds, finally running aground on Yerba Buena Island. The recovered drydock is currently moored at a safer harbor location. The Port continues to evaluate options for the final disposition of this surplus vessel. Engineering consultants have assessed requirements for hazardous materials abatement, including potential remediation of lead-based paints, heavy-metal contaminated sediments, and asbestos. The consulting engineers also performed a preliminary structural assessment and condition survey to assess the viability of towing the vessel from its present location to a location for ultimate disposal. Due to its poor condition, the drydock is most likely only salvageable for scrap metal. Based on the information from various consultants and internal engineering estimates, $2.8 million was accrued in 2008 for the drydock's final disposition, including the remediation of identified hazardous materials. Disposition options and related cost estimates were re-assessed in 2010 and the total accrued liability as of June 30, 2011 remains at $5.0 million. The Port is also pursuing federal financial assistance towards the final disposition cost of Drydock #1. This accrual is included in other noncurrent liabilities.

Pollution Remediation Obligations – The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable generally accepted accounting principles in the United States of America, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination. As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods current estimates of environmental liabilities could materially change.

Port lands are subject to environmental risk elements typical of sites with a mix of light industrial activities dominated by transportation, transportation-related and warehousing activities. Due to the historical placement of fill of varying quality, and widespread use of aboveground and underground tanks and pipelines containing and transporting fuel, elevated levels of petroleum hydrocarbons and lead are commonly found on Port properties. Consequently, any significant construction, excavation or other activity that disturbs soil or fill material may encounter hazardous materials and/or generate hazardous waste.

The Port undertook a public planning process to produce a preferred master plan for an underutilized 65-acre area commonly known as "Pier 70". 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. The 65-acre site 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. 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.

Since early 2007, the Port has been engaged in a community-based master planning process to produce a plan to rehabilitate and reuse many of the historic buildings, enable new development, create parks, open space and other public amenities, complete environmental remediation where required, and preserve existing ship repair facilities. In 2007, the Port completed a site investigation of a small portion of Pier 70: an approximately 17-acre area along the northeast shoreline. This investigation found that soil and sediment are contaminated with metals, petroleum hydrocarbons and PCBs at concentrations that do not pose a hazard to human health or the environment under existing conditions, but will require removal or capping of surface soil before development of the area for public access and recreation.

With funding from a federal grant, the Port proceeded in fiscal year 2008-09 with a contract to investigate soil and groundwater conditions throughout the site, including the fifteen-acre portion leased to the Port's ship repair tenant and in fiscal year 2010-11 the Port proceeded with a contract to survey many of the historic buildings for hazardous building materials, such as lead and asbestos. Findings to date, including data from previous investigations, indicate that soil throughout the Pier 70 site contains metals, naturally-occurring asbestos, and petroleum hydrocarbons at concentrations that do not require imminent remediation, but will require removal or capping of surface soil in connection with development of the area for public access and recreation. The investigation also found oily residue in soil and groundwater beneath by the ship repair tenant's leasehold area and contamination from the adjacent former manufactured gas plant site that has migrated beneath a small area in the southeast portion of Pier 70. The current environmental investigation work scope included a human health risk assessment and an ecological assessment to evaluate potential risks associated with contaminants at the site. The risk assessment found that site user contact with the soil could pose a potential health risk under certain exposure scenarios. The risk assessment did not find significant risk associated with current site uses. The site investigation and risk assessment do not indicate any immediate need for soil or groundwater remediation, although further evaluation of measures that would reduce or eliminate potential risks associated with contaminants under anticipated future uses is warranted. The final report of the findings of the site investigation and risk assessment was issued in January 2011.

(Dollars in Thousands)

The grant-funded environmental investigation work also includes preparation of a feasibility study to evaluate potential remedial action; a remedial action plan, which will establish 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 impacts to the environment. Future development will likely cover existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil. The contractor prepared an earlier report in 2009 describing potential remediation scenarios for Pier 70 site and probability of certain contamination being encountered in soil, soil vapor or groundwater, and various degrees of remediation that would be required. The model calculation estimated that soil, groundwater, and soil vapor remediation and/or management (excluding hazardous building materials such as asbestos or lead-based paint) would cost between $15.0 million and $50.0 million, with a most likely probability-weighted estimated cost of $27.5 million. Port management adopted the environmental consultant’s model calculation is as reasonable estimate of an existing brownfield pollution remediation obligation and recorded the $27.5 million as a noncurrent pollution remediation obligation as of July 1, 2008. The investigation work completed in 2011 reduces the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan. Based on preliminary information received from its consultant, Port management has updated the estimate of the likely total remediation cost as of June 30, 2011 to $21.6 million. The revised estimate is the sum of probability-weighted amounts assigned by management to five discrete remedial action scenarios contained in the consultant’s draft report. Among other things, the draft report and selection of remedial actions are subject to stakeholder and regulatory review.

Previous investigation of the northeast shoreline of Pier 70, in an area slated in the Master Plan for development as the future “Crane Cove Park”, found that near-shore sediment is contaminated with metals, petroleum hydrocarbons and polychlorinated biphenyls (PCBs) 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 Port is initiating additional study of sediment contamination in the Crane Cove Park area during the latter part of 2011, which will enable determination of scope sediment contamination and preliminary cost estimation.

Hazardous building materials, such as lead-based paint, asbestos, and mercury and/or PCBs in certain electrical equipment, will have to be abated during the course of rehabilitation of any historic building. Hazardous building materials abatement is very roughly estimated to be 20% of the total construction cost of building rehabilitation. In an effort to reduce the development uncertainties, the Port will use a portion of the federal grant for an assessment (identification and quantification) of hazardous building materials to enable rehabilitation or demolition of buildings and other structures within the site.

In addition to the Pier 70 issue, the Port has identified and accrued certain environmental issues related to Port property, including fuel tank removal and oil contamination in the amount of $0.2 million at June 30, 2011. The Port may be required to perform certain clean-up work if it intends to develop or lease the property, or at such time as required by the City or State. There are sites where groundwater contamination may be later identified, where the Port has primary or secondary responsibility. The potential liability for such risk cannot be reasonably made at this time.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30 2011, is as follows:

	Environmental Remediation	Monitoring and Compliance	Total
Environmental liabilities at July 1, 2010	$ 27,500	$ 98	$ 27,598
Current year claims and changes in estimates	(5,850)	102	(5,748)
Vendor payments	-	(66)	(66)
Environmental liabilities at June 30, 2011	$ 21,650	$ 134	$ 21,784

(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. The Water Enterprise delivers water, approximately 78,016 million gallons annually, to a total population of approximately 2.5 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission (the 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 6 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 the year ending 2051.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2011 and applicable revenues for 2011 are as follows:

Bonds issued with revenue pledge	$ 3,400,560
Principal and interest remaining due at the end of the year	6,270,611
Principal and interest paid during the year	118,124
Net revenue for the year ended June 30, 2011	125,747
Funds available for revenue bond debt service	169,877

During fiscal year 2010-11, the wholesale revenue requirement, net of adjustments, charged to suburban resale customers was $142.2 million. Such amounts are subject to final review by wholesale customers, along with a trailing wholesale balancing account compliance audit of the wholesale revenue requirement calculation. As of June 30, 2011, the suburban resale customers owed the Water Enterprise approximately $41.0 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2011, the Water Enterprise had outstanding commitments with third parties of $1.2 billion for various capital projects and for materials and supplies.

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 $29.7 million and $6.6 million, respectively, for the year ended June 30, 2011, are included in the charges 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 $10.0 million for the year ended June 30, 2011 and have been included in services provided by other departments.

(Dollars in Thousands)

(d) Hetch Hetchy Water and Power Enterprise

Hetch Hetchy was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City. Hetch Hetchy is a stand-alone enterprise comprised of two funds, Hetch Hetchy Power (AKA the Power Enterprise) and Hetch Hetchy Water, a portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service for the latter. Hetch Hetchy accounts for the activities of the 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 65% 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, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The balance of electricity is sold to other utility districts, such as Turlock and Modesto Irrigation Districts. As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to Modesto and Turlock Irrigation Districts (the Districts) to cover their pumping and municipal load needs and any remaining energy 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 (PG&E). Hetch Hetchy consists of a system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines. This system carries water and power more than 165 miles from the Sierra Nevada Mountains to customers in the City and portions of the surrounding San Francisco Bay Area.

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.

Segment Information – Hetch Hetchy issued debt to finance its improvements. Both the Water Enterprise and the Power Enterprise are reported for in a single fund (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:

Condensed Statement of Net Assets	Hetch Hetchy Water	Hetch Hetchy Power	Total
Assets:			
Current assets	$ 35,732	$ 175,358	$ 211,090
Receivables from other funds and component units	13,638	17,268	30,906
Restricted cash and investments	-	12,192	12,192
Other noncurrent assets	-	192	192
Capital assets	85,508	217,910	303,418
Total assets	134,878	422,920	557,798
Liabilities:			
Current liabilities	2,926	20,743	23,669
Noncurrent liabilities	5,858	32,363	38,221
Total liabilities	8,784	53,106	61,890
Net assets:			
Invested in capital assets, net of related debt	85,508	208,092	293,600
Unrestricted net assets	40,586	161,722	202,308
Total net assets	$ 126,094	$ 369,814	$ 495,908

Condensed Statement of Revenues, Expenses, and Changes in Net Assets	Hetch Hetchy Water	Hetch Hetchy Power	Total
Operating revenues	$ 31,441	$ 108,594	$ 140,035
Depreciation expense	(4,125)	(9,582)	(13,707)
Other operating expenses	(28,354)	(76,659)	(105,013)
Net operating income (loss)	(1,038)	22,353	21,315
Nonoperating revenues (expenses):			
Federal grants	-	4,730	4,730
Interest and investment income	220	1,965	2,185
Interest expense	-	(562)	(562)
Other nonoperating revenues (expenses)	125	(1,709)	(1,584)
Transfers in (out), net	13,638	(184)	13,454
Change in net assets	12,945	26,593	39,538
Net assets at beginning of year	113,149	343,221	456,370
Net assets at end of year	$ 126,094	$ 369,814	$ 495,908

Condensed Statement of Cash Flows	Hetch Hetchy Water	Hetch Hetchy Power	Total
Net cash provided by (used in):			
Operating activities	$ 4,144	$ 37,129	$ 41,273
Noncapital financing activities	(40)	8,874	8,834
Capital and related financing activities	(3,207)	(34,578)	(37,785)
Investing activities	245	(3,376)	(3,131)
Change in net assets	1,142	8,049	9,191
Cash and cash equivalents at beginning of year	33,988	158,600	192,588
Cash and cash equivalents at end of year	$ 35,130	$ 166,649	$ 201,779

(Dollars in Thousands)

Pledged Revenues – Hetch Hetchy Power has pledged future power revenues to repay Clean Renewable Energy Bonds, which were issued in 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 2022.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2011 and applicable revenues for 2011 are as follows:

Bonds issued with revenue pledge	$	6,325
Principal and interest remaining due at the end of the year		5,059
Principal and interest paid during the year		422
Net revenue for the year ended June 30, 2011		41,773

Commitments and Contingencies – As of June 30, 2011, Hetch Hetchy had outstanding commitments with third parties of $26.9 million for various capital projects and other purchase agreements for materials and services.

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto and Turlock Irrigation Districts (the Districts) 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 $4.5 million in fiscal year 2011. 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.

In April 1988, Hetch Hetchy entered into a long-term power sales agreement (the Agreement) with the Districts. In June 2003, Hetch Hetchy amended the terms of the Agreement with the Modesto Irrigation District (MID). Under the terms of the amended and restated long-term power sales agreement, which became effective on January 1, 2003, the expiration date was shortened to December 31, 2007. The renegotiated agreement with MID became effective January 1, 2008, removed Hetch Hetchy's obligation to provide firm power, and eliminated MID's rights to excess energy from the Project. This agreement expires June 30, 2015. In April 2005, Hetch Hetchy amended the terms of the agreement with Turlock Irrigation District (TID). The settlement agreement between Hetch Hetchy and TID restates and amends the power sales agreement and terminates Hetch Hetchy's obligation to provide firm power at below market costs to TID to the end of the agreements term on June 30, 2015. Hetch Hetchy will continue to comply with the Raker Act by making water system generated hydropower available at cost to MID and TID for its agricultural pumping and municipal loads as energy is available. For fiscal year 2011, energy sales to the Districts totaled 459,320 MWh or $10.8 million.

Effective September 2007, the City renegotiated the Interconnection Agreement (agreement) with PG&E to provide transmission and distribution services on PG&E's system where needed to deliver the Hetch Hetchy's power to its customers. In addition, the PG&E agreement provides supplemental power and energy banking and other support services to Hetch Hetchy Power. The PG&E agreement provides audit rights to allows PG&E to review past billings paid by Hetch Hetchy Power and to retroactively (up to two years) adjust these payments as determined necessary. During fiscal year 2011, Hetch Hetchy purchased $13.7 million of transmission, distribution services, and other support services from PG&E under the terms of the agreement.

The City's Interconnection Agreement with PG&E contains a contractual provision allowing it to bank excess power produced, with a maximum of 110,000 of Megawatt hours (MWh). During fiscal year 2011, Hetch Hetchy Power generated 1,985,079 MWh of power, banked (deposited) in Deferred Delivery Account (DDA) 87,299 MWH and used (withdrew) 99,826 MWH. At June 30, 2011, the balance in the bank was 80,327 MWh or $2.2 million.

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 – Charges for services for the year ended June 30, 2011 include $62.3 million in sales of power by Hetch Hetchy Power to other City Departments. Income from Hetch Hetchy is available for certain operations of the City.

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 $29.7 million and purchased electricity for $6.6 million for the year ended June 30, 2011. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling $9.0 million for the year ended June 30, 2011.

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 $5.4 million for the year ended June 30, 2011 and have been included in services provided by other departments.

(e) Municipal Transportation Agency

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors. It is composed of the San Francisco Municipal Railway (MUNI), the San Francisco Municipal Railway Improvement Corporation (SFMRIC), the SFMTA's Sustainable Streets and Taxi Regulatory Services, and five nonprofit parking garage corporations operated by separate nonprofit corporations, whose operations are interrelated. Proposition E passed by the San Francisco voters in November 1999 amended the City Charter, calling for the creation of the SFMTA by consolidating MUNI and Department of Parking and Traffic (now named as Sustainable Streets) by July 1, 2002. The incorporations are intended to support the City's *TransitFirst* Policy. 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 200 million riders 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 manages 40 City-owned garages and metered parking lots. It also manages all traffic engineering functions within San Francisco, including the placement of signs, signals, traffic striping, curb markings, and parking meters. It also promotes the safe and efficient movement of people and goods throughout the City. In March 2009, the former Taxi Commission was merged with the SFMTA and has assumed responsibility for taxi regulation to advance reforms as well as upgrading conditions for drivers. SFMTA has regulatory power over the taxi industry and other motor vehicles for hire in San Francisco. SFMRIC is a nonprofit corporation whose sole purpose is to provide capital financial assistance on behalf of MUNI by purchasing equipment and improving facilities. SFMRIC has no employees. The parking garages accounted for the activities of various non-profit corporations to provide financial and other assistance to the City to acquire land, construct facilities, and manage various facilities.

(Dollars in Thousands)

The tables below reflect the financial information of MUNI, the Sustainable Streets, Taxi Regulatory Services and the non-profit parking garages that are reported within the SFMTA, net of eliminations $205.1 million inter-agency transfers.

	MUNI	Sustainable Streets/Taxi	Parking Garages	Eliminations	Total
Assets					
Current assets	$ 368,333	$ 70,389	$ 3,837	$ -	$ 442,559
Noncurrent assets	1,939,727	39,241	72,991	-	2,051,959
Total assets	2,308,060	109,630	76,828	-	2,494,518
Liabilities					
Current liabilities	192,051	21,358	6,705	-	220,114
Current liabilities payable from restricted assets	1,166	-	-	-	1,166
Noncurrent liabilities	233,170	53,899	25,249	-	312,318
Total liabilities	426,387	75,257	31,954	-	533,598
Net assets					
Invested in capital assets, net of related debt	1,929,559	18,495	34,222	-	1,982,276
Restricted net assets	9,003	682	10,213	-	19,898
Unrestricted net assets (deficits)	(56,889)	15,196	439	-	(41,254)
Total net assets (deficits)	$ 1,881,673	$ 34,373	$ 44,874	$ -	$ 1,960,920

	MUNI	Sustainable Streets/Taxi	Parking Garages	Eliminations/ Reclassifications	Total
Operating revenues	$ 209,378	$ 79,472	$ 45,290	$ -	$ 334,140
Operating expenses	766,911	117,367	18,393	-	902,671
Net operating income (loss)	(557,533)	(37,895)	26,897	-	(568,531)
Nonoperating income (loss)	128,721	116,218	(6,599)	-	238,340
Capital contributions	151,996	12,763	-	-	164,759
Transfers in	397,668	105,806	-	(205,145)	298,329
Transfers out	(32,940)	(157,277)	(20,386)	205,145	(5,458)
Change in net assets	87,912	39,615	(88)	-	127,439
Net assets (deficits), beginning of year	1,793,761	(5,242)	44,962	-	1,833,481
Net assets (deficits), end of year	$ 1,881,673	$ 34,373	$ 44,874	$ -	$ 1,960,920

The data below reflect the operations of the parking garages operated by separate nonprofit corporations managed by SFMTA. Information about these nonprofit corporations for the year ended June 30, 2011 is as follows:

	Downtown Parking	Uptown Parking	Japan Center Garage	Ellis - O'Farrell Parking	Portsmouth Plaza Parking	Total
Operating revenues	$ 15,375	$ 16,552	$ 3,642	$ 6,029	$ 3,692	$ 45,290
Depreciation	681	1,027	173	361	137	2,379
Operating income	10,318	10,970	1,981	2,056	1,572	26,897
Interest and other non-operating revenues (expenses)	(395)	(4,186)	-	(165)	(1,853)	(6,599)
Change in net assets	253	(580)	403	117	(281)	(88)
Capital assets, additions	26	9	256	-	23	314
Capital assets, deletions	-	(28)	(256)	-	-	(284)
Net working capital (deficit)	(1,427)	(2,701)	1,257	(851)	854	(2,868)
Total assets	20,794	37,876	3,089	11,864	3,205	76,828
Total liabilities	7,973	19,439	258	3,508	776	31,954
Net assets	12,821	18,437	2,831	8,356	2,429	44,874
Total debt outstanding	7,076	16,879	-	2,983	-	26,938

Operating and Capital Grants and Subsidies – The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of MUNI and Sustainable Streets determined by the City's budgetary accounting procedures, subject to the appropriation process. The amount of General Fund subsidy to the SFMTA was $254.9 million in fiscal year 2011.

The SFMTA receives capital grants from various federal, state, and local agencies to finance transit-related property and equipment purchases. As of June 30, 2011, MUNI had approved capital grants with unused balances amounting to $574.0 million. Capital grants receivable as of June 30, 2011 totaled $73.8 million.

The SFMTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds and sales tax allocations. As of June 30, 2011, SFMTA had various operating grants receivable of $12.9 million. In fiscal year 2011, the SFMTA's operating assistance also includes BART American Disability Act (ADA) revenues of $1.1 million and other federal, state and local grants of $19.4 million to fund project expenses that are operating in nature.

The capital grants and operating assistance identified above include funds received and due from the San Francisco County Transportation Authority (SFCTA). During the fiscal year 2011, the SFCTA approved $43 million in new capital grants and $14.7 million in new operating grants for SFMTA. During the same period, the SFMTA received total payments of $32.4 million for capital grants and $11.1 million in operating grants from the SFCTA. As of June 30, 2011, the SFMTA had $8.8 million due from the SFCTA for capital grants and $2.5 million due from the SFCTA for operating grants reported in due from other funds.

Proposition 1B is a ten-year $20 billion transportation infrastructure bond that was approved by 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. SFMTA received $24 million in fiscal year 2011 for different projects. Proposition 1B funds do not require matching funds. These funds must be obligated within three years. 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 2011, $25 million drawdowns were made from these funds for the various eligible project costs.

The State Public Utilities Code requires that fare revenues must equal or exceed 33% of operating costs in order to qualify for an allocation of certain sales tax revenues available for public transit. Transit operators may add local support to fare revenues in order to calculate the fare recovery ratio. The City provides significant local support to SFMTA from parking revenues and the General Fund.

***Commitments and Contingencies* –** The SFMTA has outstanding contract commitments of approximately $175.5 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 $31.9 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. The SFMRIC board of directors has authorized SFMRIC to extend financial guarantees to the SFMTA for certain projects totaling $1.1 million.

SFMRIC is authorized to issue debt to fund each of its programs under separate indentures. Transit Equipment Progress bonds totaling $51.5 million have been authorized, of which $30.5 million is available for issuance and none are outstanding. Transit Improvement Program (TIP) bonds amounting to $44.0 million have been authorized, of which $7.8 million is available for issuance. As of June 30, 2011, no bonds were outstanding under TIP.

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 the leveraged lease leaseback transactions for over 118 and 21 respectively, Breda light rail vehicles (the Tranche 1 and Tranche 2 Equipment). Each transaction also referred to as "sale in lease out" or "SILO", was structured as a head lease of the Equipment to separate special purpose trusts and a sublease of the Equipment back from such trusts. 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 Tranche 1 Equipment and Tranche 2 Equipment and is obligated to insure and maintain the Tranche 1 and Tranche 2 Equipment throughout the life of the sublease.

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 lease. MUNI deposited a portion of the prepaid head lease payments into an escrow and deposited a portion with a debt payment undertaker whose repayment obligations are guaranteed by Assured Guaranty Municipal Corp. (AGM) as successor to Financial Security Assurance (FSA), a bond insurance company that is currently rated "AA+" by Standard & Poor's ("S&P") and "Aa3" by Moody's Investor Services ("Moody's"). The terms of the SILO documents require the MUNI to replace AGM, as successor to FSA, as guarantor of debt payment undertaker if its ratings are downgraded below BBB+/Baa1 by S&P and Moody's, respectively. AGM's current ratings satisfy this requirement. In addition, FSA provided a surety policy with respect to each SILO to guarantee potential payments in the event such transaction is terminated in whole or in part prior to the sublease expiration date. The terms of the SILO documents require MUNI to replace AGM, as successor to FSA, as surety provider, if AGM's ratings are downgraded below "AA-/Aa3" by S&P and Moody's, respectively. AGM's current ratings satisfy this requirement. Both S&P and Moody's have "Negative" outlooks on AGM. On August 25, 2011, S&P published a rating criteria article, Bond Insurance Rating Methodology and Assumptions, in which it noted that the new bond insurance rating criteria could result in the lowering of the financial strength ratings of investment grade bond insurers by one or more rating categories and that any such rating changes would occur after its review of third quarter 2011 financial statements but no later than November 30, 2011. It is not known whether or to what level downgrades, if any, may occur. Failure of MUNI to replace AGM following a downgrade within a specified period of time could allow the investors, 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 SILO transaction documents. These early termination costs are in the nature of liquidated damages. The scheduled termination costs as of June 30, 2011 after giving effect to the market value of the securities in the escrow accounts would approximate $109.2 million. The scheduled termination costs increase over the next several years.

The escrows were invested in U.S. agency securities with maturity dates that correspond to the purchase option dates in each sublease.

Although these escrows do not represent a legal defeasance of MUNI's obligations under the sublease, 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, 2011.

As a result of the cash transactions above, MUNI recorded deferred revenue of $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, respectively, and the amounts paid to the escrows and the debt payment undertaker of $352.7 million and $67.5 million. The deferred revenue will be amortized over the life of the sublease. The deferred revenue amortized amounts were $1.3 million and $0.2 million in fiscal year 2011.

As of June 30, 2011, the outstanding payments to be made on the sublease through the end of the sublease term are $27.6 million and $7.2 million for Tranche 1 and Tranche 2, respectively, and the payments to be made on the purchase option, if exercised, would be $680.8 million and $154.2 million. 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 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, 2011, the subsidy for LHH was approximately $37.4 million.

***Net Patient Services Revenue* –** Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals and bad debt. These allowances are based on current payment rates, including per diems, DRG amounts and payment received as a percentage of gross charges.

***Third-party Payor Agreements* –** LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. LHH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

(Dollars in Thousands)

During the fiscal year ended June 30, 2011, LHH's patient receivables and charges for services were as follows:

Patient Receivables, net	Medi-Cal	Medicare	Other	Total
Gross accounts receivable	$ 38,074	$ 1,468	$ 236	$ 39,778
Less:				
Contractual Allowances	(13,536)	(522)	(84)	(14,142)
Total, net	$ 24,538	$ 946	$ 152	$ 25,636

Net Patient Service Revenue	Medi-Cal	Medicare	Other	Total
Gross revenue	$ 233,992	$ 14,174	$ 2,276	$ 250,442
Less:				
Contractual allowances	(98,505)	(7,437)	(998)	(106,940)
Total, net	$ 135,487	$ 6,737	$ 1,278	$ 143,502

Because Medi-Cal reimbursement rates are less that LHH's established charges rates, LHH is eligible to receive supplemental federal funding. For the year ended June 30, 2011, LHH accrued and recognized $15.4 million of revenue as a result of matching federal funds to local funds. In addition, during the year ended June 30, 2011, LHH recognized $15.0 million in tobacco settlement revenues as capital contributions in accordance with Proposition A as further described in the Replacement Project section below.

Deferred Credits and Other Liabilities – As of June 30, 2011, LHH recorded approximately $0.7 million in other liabilities for third-party payor settlements payable.

Replacement Project – The California Hospital Facilities Safety Act (SB 1953) specifies certain requirements that must be met at various dates in order to increase the probability that LHH could maintain uninterrupted operations following major earthquakes. By January 1, 2008, all general acute care buildings must be life safe. By January 1, 2030, all general acute care inpatient buildings must be able to be operational after an earthquake. In December 2001, LHH finalized and submitted a plan to the State of California indicating that the Laguna Honda Hospital Replacement Project will be fully operational by 2013 and thereby in full compliance with the 2030 requirements. The new Laguna Honda opened in December 2010 and is comprised of three new buildings housing 780 people.

In November 1999, San Francisco voters approved Proposition A, a ballot measure authorizing the City to issue general obligation bonds to finance the acquisition, improvement, construction and/or reconstruction of a new health care, assisted living and/or other type of continuing care facility or facilities to replace Laguna Honda Hospital (the Replacement Project). Proposition A requires an increase in property taxes to pay for the bonds. In addition, Proposition A stipulates that $100 million of tobacco settlement funds received by the City, excluding $1 million set aside each year for smoking education and prevention programs, may be used to pay for some construction of the Replacement Project, as well as to offset the cost to property owners of repaying the bonds. As of June 30, 2011, general obligation bonds in the amount of $299 million have been sold to fund the Replacement Project and are reported as a governmental activity.

As of June 30, 2011, LHH has entered into various purchase contracts totaling approximately $29.7 million that are related to future construction for the Replacement Project.

(g) San Francisco General Hospital Medical Center

General Fund Subsidy – San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2011, the subsidy for SFGH was $68.9 million.

Net Patient Services Revenue – Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals, 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/Uninsured Care Demonstration Project 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 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 fiscal year ended June 30, 2011, SFGH's patient receivables and charges for services were as follows:

Patient Receivables, net	Medi-Cal	Medicare	Other	Total
Gross accounts receivable	$ 176,326	$ 59,710	$ 83,598	$ 319,634
Less:				
Contractual allowances	(148,155)	(51,051)	(66,949)	(266,155)
Bad debt	-	-	(14,296)	(14,296)
Total, net	$ 28,171	$ 8,659	$ 2,353	$ 39,183

Net Patient Service Revenue	Medi-Cal	Medicare	Other	Total
Gross revenue	$ 796,448	$ 363,892	$ 904,039	$ 2,064,379
Less:				
Contractual allowances	(753,973)	(234,703)	(447,645)	(1,436,321)
Bad debt	-	-	(56,693)	(56,693)
Total, net	$ 42,475	$ 129,189	$ 399,701	$ 571,365

California's Medi-cal Hospital/Uninsured Care Demonstration Project (Demonstration) is the current system for paying selected hospitals for hospital care provided to Medi-cal and uninsured patients and replaces funding previously provided through California State Senate Bills 855 and 1255. The Demonstration was negotiated between the State of California's Department of Health Services and the Federal Centers for Medicare and Medicaid Services, and covers the period from July 1, 2005 to June 30, 2010 and was extended to October 31, 2010. Under the Demonstration, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursement for inpatient hospital services; 2) Disproportionate Share Hospital payments; and 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP). The nonfederal share of these three 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 Demonstration approximated $164.4 million for the year ended June 30, 2011. Beginning in fiscal year 2008, the State created the Health Care Coverage Initiative (HCCI), allowable under the Demonstration, to expand healthcare coverage for eligible low-income, uninsured individuals using an annual allotment of federal funds from the SNCP. On September 1, 2007, the City entered in to a contract with the State to participate in HCCI and was allocated $73.1 million over 3 years. Through the year ended June 30, 2011, SFGH has accrued and recognized a total of $70.0 million. The HCCI covers a subset of the Healthy San Francisco population, primarily those individuals at or below 200% of the federal poverty level and who meet citizenship requirements as further discussed in the Healthy San Francisco Program section below.

The California Hospital Fee Program AB1383 (Program) was signed into law by the Governor of California effective January 1, 2010. The period covered by the Program was April 2009 through December 2010. CMS approved the State Plan Amendment and Waiver allowing the State to implement the Program. The Program contains two components: 1) The Quality Assurance Fee Act, which governs the hospital fee paid by participating hospitals (public hospitals are exempt from this requirement) and 2) the Medi-Cal Hospital Provider Stabilization Act, which governs supplemental Medi-Cal payments made to providers. For the year ended June 30, 2011, SFGH received $30.4 million of supplemental Medi-Cal payments under the Program.

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, 2011, reimbursement under the Short-Doyle Program amounted to approximately $5.4 million and is included in other operating revenue.

Deferred Credits and Other Liabilities – As of June 30, 2011, SFGH recorded approximately $71.8 million in deferred credits and other liabilities, which was comprised of $49.7 million in deferred credits related to receipts under the periodic interim payment system and $22.1 million in third-party payor settlements payable.

Charity Care – SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were $159.1 million and estimated costs and expenses to provide charity care were $67.4 million in fiscal year 2011.

Other Nonoperating Revenues – The State of California provides support to SFGH through a realignment of funding provided from vehicle license fees and sales tax allocated to California's counties. For the year ended June 30, 2011, SFGH recognized $50.3 million as other nonoperating revenue for realignment funding.

Contract 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, 2011, was approximately $114.8 million.

SFGH Rebuild – In 1996, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2013. 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 2013 and beyond.

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 fiscal year 2007. Schematic design of the new building is complete and the project cost is estimated at $887.4 million.

Majority of the funding will 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, 2011, General Obligation Bonds, in the amount of $426.3 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.

Healthy San Francisco Program – In July 2007, the City's Department of Public Health implemented Healthy San Francisco (HSF). HSF is a program to provide health care for the uninsured residents using a medical home model, with an emphasis on wellness and preventive care. Persons between the ages of 18-64 are eligible and persons whose income is at or below 500% of the federal poverty level are eligible for a subsidy.

As of June 30, 2011, over 54,348 uninsured adult residents were enrolled in HSF - this represented a 2% increase compared to enrollment at the end of fiscal year 2010. With 54,348 participants, HSF provided care to 85% of the estimated 64,000 uninsured adult residents. In addition to increasing access by serving more uninsured adults, the program also expanded access by increasing the number of primary care medical homes that participate in the program. HSF ended the fiscal year 2010-11 with 36 medical homes - a 33% increase from fiscal year 2008 (the program's first year).

Effective July 1, 2011, over 10,000 HSF participants were transitioned to a new program called San Francisco Provides Access to Healthcare (SF PATH). SF PATH is a new federally-supported health access program that provides affordable health care services for some low income people living in San Francisco. The program was created in preparation for the implementation of federal health reform. The HSF Program starting July 23, 2011 and going forward will reflect this 10,000 reduction in enrollment. New enrollment in HSF has not ceased, but total HSF enrollment has decreased as a result of the transfer of over 10,000 former HSF participants into SF PATH.

Commitments and Contingencies – At the end of the year, SFGH has approximately $1.0 million in commitments for various capital projects.

(Dollars in Thousands)

(h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise), formerly known as the San Francisco Clean Water Program, 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 146,890 residential accounts, which discharge about 18.4 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 16,160 non-residential accounts, which discharge about 8.7 million units of sanitary flow per year.

Pledged Revenues – Wastewater Enterprise's revenues, which consists mainly of sewer service charges, is 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 power revenues of Wastewater Enterprise and are payable through fiscal year ending 2041.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2011 and applicable revenues for 2011 are as follows:

Bonds issued with revenue pledge	$ 635,835
Principal and interest remaining due at the end of the year	786,487
Principal and interest paid during the year	44,883
Net revenue for the year ended June 30, 2011	85,529
Funds available for bond debt service	108,298

Commitments and Contingencies – As of June 30, 2011, Wastewater Enterprise had outstanding commitments with third parties for capital projects and for materials and services totaling $82.9 million.

Pollution Remediation Obligations – The City and the Wastewater Enterprise have been listed as potentially responsible parties in the clean-up effort of Yosemite Creek due to the Wastewater Enterprise's role in conveying contaminated flows to the receiving waters through the sewerage system. Yosemite Creek has been identified as having toxic sediments, primarily polychlorinated biphenyls. The U.S. Environmental Protection Agency is moving forward with a clean-up plan for these sediments. Contaminated flows emanating from a local industrial discharger in the drainage areas to Yosemite Creek is the likely responsible source of the contamination. As of June 30, 2011, the pollution remediation obligation reported in the accompanying statements of net assets is $375 for the Yosemite Creek project, based on estimated contractual costs.

The City and County of San Francisco and the Wastewater Enterprise has identified pollution remediation obligation for the Sunnydale Auxiliary Sewer project. The remediation is for the removal, transportation, and disposal of Class I hazardous material consisting of lead and oil contamination deposited inside the Sunnydale box sewer. As of June 30, 2011, the pollution remediation obligation reported in the accompanying statements is $350 for the Sunnydale Auxiliary Sewer project, based on estimated contractual costs.

Transactions with Other Funds – The Wastewater Enterprise purchases electricity from Hetch Hetchy at market rates. The amount was $9.0 million for the year ended June 30, 2011, and has been included in services provided by other departments.

The City's Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and charges amounts designed to recover its costs. These services are primarily related to street cleaning, engineering, building repair, and sewer repair. This amount totaling approximately $15.1 million for the year ended June 30, 2011 and has been included in services provided by other departments.

A variety of other City departments provide services such as purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges totaling approximately $8.6 million for the year ended June 30, 2011 and have been included in services provided by other departments.

SFPUC entered into a seventy-five year lease agreement with the San Francisco Recreation and Park Commission for the use of parking spaces at the parking garage located at 355 McAllister Street beneath Civic Center Plaza which is in closer proximity to SFPUC's new headquarters at 525 Golden Gate Avenue. The term of the agreement commenced on February 1, 2011, with 40 parking spaces allocated to SFPUC. On or about April 1, 2012, SFPUC will have the right to an additional 20 parking spaces. The total payment under this agreement is $6.3 million and the first payment in the amount of $1.5 million was made in the fiscal year 2011. Of this $1.5 million, SFPUC recognized $0.04 million as expenses for the 40 parking spaces rented between February and June, 2011 at $0.008 per month. The remaining $1.46 million was recorded as prepaid. The expenses and prepayment were prorated and allocated among the three SFPUC Enterprises based on the use of parking spaces. The remaining payments will be made as follows:

Fiscal years ending June 30:	Amount
2012	$ 1,500
2013	1,500
2014	1,500
2015	274
Total	$ 4,774

In fiscal year 2011, the Wastewater Enterprise's allocable share of the expenses and prepayment was $1 and $37, respectively.

(i) San Francisco Market Corporation

The San Francisco Market Corporation is a non-profit corporation organized to acquire, construct, finance, and operate a produce market. The information about this non-profit corporation is presented in the financial statements of the proprietary funds as a non-major fund.

(12) San Francisco Redevelopment Agency

The Redevelopment Agency of the City and County of San Francisco (the Agency) is a public body, corporate and politic, organized and existing under the Community Redevelopment Law of the State of California. Since the organization of the Agency in 1948, the Agency has completed four redevelopment project areas and twelve redevelopment areas are now underway. In addition, the Agency has completed a feasibility study on the Mid Market Survey Area and the redevelopment plan has been submitted to the Board of Supervisors for review. Feasibility studies are underway for Bayview Hunters Point Survey Areas designated by the Board of Supervisors.

The Agency has no direct taxing power and does not have the power to pledge the general credit or taxing power of the City, the State of California or any political subdivision thereof. However, California's Health and Safety Code allows redevelopment agencies with appropriate approvals of the local legislative bodies to recover costs of financing public improvements from increased tax revenues (tax increment) associated with increased property values of individual project areas. During the year, the Agency's revenue from property tax increment was $110.2 million.

Recent Changes in Legislation Affecting California Redevelopment Agencies - In June 2011, the California legislature adopted Assembly Bill X1 26 ("AB X1 26" or the "Dissolution Bill") and Assembly Bill X1 27 ("AB X1 27" or the "Continuation Bill"). The Dissolution Bill immediately suspends all new redevelopment activities and incurrence of indebtedness, and dissolves redevelopment agencies effective October 1, 2011. However, the Continuation Bill allows redevelopment agencies to avoid dissolution by "opting" into an alternative voluntary redevelopment program ("Voluntary Program"), requiring substantial annual contributions to local school and special districts.

On September 20, 2011, Agency Resolution No. 99-2011 was adopted, indicating that the Agency will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event AB X1 26 and/or 27 are upheld as constitutional. The initial payment by the Agency is estimated to be $14.6 million with one half due on January 15, 2012 and the other half due May 15, 2012.

On July 18, 2011, the California Redevelopment Association and the League of California Cities, along with certain other petitioners, filed a lawsuit asking the California Supreme Court to overturn AB X1 26 and AB X1 27 as they violate the Constitution of California. The California Supreme Court announced it would hear the lawsuit and issued a partial stay suspending the effectiveness of AB X1 26 and AB X1 27 until it can rule on the constitutionality of these two bills. The Court allowed the Dissolution Bill to remain in effect insofar as it precludes existing redevelopment agencies from incurring new indebtedness, transferring assets, acquiring real property, entering into new contracts or modifying existing contracts, entering into new partnerships, adopting or amending redevelopment plans, etc., but it stayed enforcement of both statutes in all other respects. The Court also states in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012," which is the date that the Voluntary Program contributions are due. At this time, due to the Court's involvement, redevelopment operations are effectively placed on hold pending the outcome of the litigation, including whether or not the City will make the contribution required under the Voluntary Program.

Public Initiatives Development Corporation (PIDC) was formed in May of 2002 to develop affordable housing on the Agency's behalf. On November 12, 2004, PIDC and Wincopin Circle, LLLP formed a limited partnership, Plaza Apartments Associates, L.P. (the Partnership). PIDC is the managing general partner and owns a 0.01% interest in the partnership. Wincopin Circle, LLLP is a limited partner and owns a 99.99% interest. Wincopin Circle, LLLP transferred its interest in the Partnership to the Housing Outreach Fund XI Limited Partnership, effective December 24, 2004. The Partnership completed construction of a 106-unit affordable housing project in the South of Market project area in January 2006. As of June 30, 2011, 100% of the units were leased. The Agency reports the investment in the Partnership under the equity method, based on the value of the assets and liabilities transferred to the Partnership.

Health and Safety Code Section 33334.3 requires the Agency to set aside 20% of the proceeds from its incremental property tax revenues for expenditures for low and moderate income housing. Related interest earned on these funds must also be set aside for such purposes. The Agency established the City-Wide Housing Capital Project Account to account for this commitment and has budgeted $728 million for such expenditures since its inception. The Agency has expended $504 million for low- and moderate-income housing since its inception.

Payment to Supplemental Educational Revenue Augmentation Fund (SERAF) – On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of $2.05 billion of property tax increment in the county Supplemental Educational Revenue Augmentation Fund (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The Agency's share of this revenue shift was $28.7 million in fiscal year 2009-10 and $5.9 million in fiscal year 2010-11. Payments are to be made by May 10 of each respective fiscal year. During fiscal year 2010-11, the Agency made the second payment of $5.9 million.

New Debt Issuances – In September 2010, the San Francisco Redevelopment Financing Authority (SFRFA) issued $40.1 million in 2010 Series A Taxable Tax Allocation Revenue Bonds (2010 Series

A Bonds). The proceeds for the 2010 Series A Bonds were primarily used to fund various redevelopment activities, including certain low and moderate income housing developments within the Golden Gateway, Transbay, and Western Addition A-2 project areas. The 2010 Series A Bonds bear fixed interest rates and have a final maturity date of August 1, 2040.

On March 21, 2011 , the SFRFA issued $22.4 million in 2011 Series A Taxable Tax Allocation Revenue Bonds, $27.3 million in 2011 Series C Tax-Exempt Tax Allocation Revenue Bonds, and $36.5 million in 2011 Series D Tax-Exempt Tax Allocation Revenue Bonds (2011 Series A, C, and D Bonds). The proceeds for the 2011 Series A Bonds were used to fund various redevelopment activities, including certain low and moderate income housing developments within Bayview Hunters Point (Area B), Golden Gateway, Hunters Point, South of Market, Transbay, and Western Addition A-2 project areas. The proceeds for the 2011 Series C Bonds were used to fund redevelopment activities and to refund the Community Facilities District No. 4 (Mission Bay North Public Improvements) Variable Rate Revenue Bonds, Series 2001-North ("CFD No.4" Bonds) in the aggregate principal amount of $16.6 million that was not considered an Agency's long-term debt. Proceeds of the refunded CFD No.4 Bonds and the 2011 Series C Bonds were used to finance infrastructure required pursuant to the Mission Bay North Owner Participation Agreement. The proceeds from the 2011 Series D Bonds were used to fund the Agency's obligation to finance certain infrastructure required pursuant to the Mission Bay South Owner Participation Agreement. The 2011 Series A, C and D Bonds bear fixed interest rates and have a final maturity date of August 1, 2041.

On April 26, 2011, the SFRFA issued $16.0 million in 2011 Series B Tax-Exempt Tax Allocation Revenue Bonds and $9.5 million in 2011 Series E Taxable Tax Allocation Revenue Bonds (2011 Series B and E Bonds). The proceeds for the 2011 Series B Bonds were used to fund certain redevelopment activities within the Bayview Hunters Point (Area B), South of Market, and Transbay project areas. The proceeds for the 2011 Series E Bonds were used to fund certain redevelopment activities within the Mission Bay North and Mission Bay South project area. The 2011 Series B and E Bonds bear fixed interest rates. 2011 Series B Bonds have a final maturity date of August 1, 2041, while the 2011 Series E Bonds have a final maturity date of August 1, 2031.

On March 17, 2011, the Agency issued $43.8 million in Hotel Tax Revenue Refunding Bonds Series 2011 (Series 2011 Hotel Tax Bonds). The proceeds were used to fully refund $4.8 million outstanding principal of the Agency's Series 1994 Hotel Tax Revenue Bonds and fully refund $46.7 million outstanding principal of the Agency's Series 1998 Hotel Tax Revenue Bonds. The proceeds, together with prior funds from the refunded bonds, were deposited into escrow accounts and used to redeem the refunded bonds on April 15, 2011. Although the refunding resulted in the recognition of a deferred accounting loss of $0.8 million, the Agency in effect reduced its aggregate debt service payments by approximately $2.4 million over the next 15 years and obtained an economic gain (difference between present value of the old and new debt service payment) of $1.5 million. The Series 2011 Hotel Tax Bonds bear fixed interest rates and have a final maturity date of June 1, 2025.

Pledged Revenues for Bonds – The Agency's Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the Agency's tax increment revenue. These revenues have been pledged until the year 2042, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1.8 billion. The tax increment revenue recognized during the year ended June 30, 2011 was $110.2 million as against the total debt service payment of $85.5 million.

The Agency's Moscone Convention Center Lease Revenue Bonds are secured by the pledge of the capital lease revenue received by the Agency from the City. These revenues have been pledged until the year 2025, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $171.5 million. The lease payments recognized during the year ended June 30, 2011 was $18.8 million as against the total debt service payment of $18.8 million.

The Agency's Hotel Tax Lease Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the 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 these bonds is approximately $62.8 million. The tax revenue recognized during the fiscal year ended June 30, 2011 was $5.6 million as against the total debt service payment of $5.5 million.

Variable Rate Demand Refunding Bonds – The interest rate for the South Beach Harbor Variable Rate Demand Refunding Bond 1986 Issue A is reset weekly by a remarketing agent. The rate varies depending on financial market conditions. In connection with the issuance of the bonds, the Agency obtained an irrevocable letter of credit as a credit facility with Dexia Credit Local for the bonds. At June 30, 2011, the letter of credit was set to expire on January 27, 2012. The Agency's repayment of unreimbursed draws made on the credit facility bear interest at the Default Rate as defined in the reimbursement agreement with the principal due at the expiration of the credit facility. At June 30, 2011, the Agency did not made any draws on the credit facility. The Agency is required to pay the credit facility providers an annual commitment fee of 0.42% based on the outstanding principal amount of the bonds supported by the credit facility.

The Agency does not intend to extend the letter of credit beyond the expiration date of January 27, 2012. Upon the expiration of the letter of credit, the bonds will automatically convert to fixed rate bonds and bear Mandatory Fixed Rate as defined in the provisions in the bond indenture. Debt service requirements to maturity for principal will remain unchanged upon the conversion. Bondholders will have the option to retain the converted bonds, and any bonds that are not retained will be considered due and payable by the Agency. At June 30, 2011, the outstanding balance in the amount of $6.3 million of the South Beach Harbor Variable Rate Demand Refunding Bond 1986 Issue A is recorded as current liabilities in the Statement of Net Assets.

Mortgage Revenue Bonds and Other Conduit Debt – In order to facilitate construction and rehabilitation in the City, various community district facility bonds and mortgage revenue bonds with an aggregate outstanding balance of approximately $505 million as of June 30, 2011 have been issued by the 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 Agency or the City and are therefore not included in the accompanying financial statements. Debt service payments will be made by developers or property owners.

Commitments and Contingencies – The Agency had commitments under contracts for capital improvements of approximately $161.6 million as of June 30, 2011.

The Agency provides standby payment agreements in conjunction with its issuance of Mortgage Revenue Bonds wherein the Department of Housing and Urban Development (HUD) guarantees Housing Assistance Payments (HAP) subsidized under Section 8 for multifamily residential facilities. If the HAP contract expires and is not renewed or is substantially reduced, the Agency will be required to pay the difference. The estimated maximum obligation until June 30, 2019 over the terms of all standby payment agreements is $47.7 million. As of June 30, 2011, management has designated $4.8 million for standby payment agreements. It is management's intent to designate 10% of the estimated maximum obligation.

(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 and designated as a pursuant to Community Redevelopment Law of the State of California. 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 are a key milestone in realizing an environmentally sustainable new community on Treasure Island and the thousands of construction and permanent jobs it will bring. The first phase of construction could begin as soon as fall 2012 and would consist primarily of horizontal infrastructure improvements to enable subsequent phases of vertical construction. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

(Dollars in Thousands)

(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, 2011, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 13,055
	Internal Service Funds	245
	Municipal Transportation Agency	1,768
	Laguna Honda Hospital	12,765
		27,833
Nonmajor Governmental Funds	Nonmajor Governmental Funds	2,325
	Internal Service Funds	6,428
		8,753
General Hospital Medical Center	Nonmajor Governmental Funds	119
		119
Laguna Honda Hospital	Nonmajor Governmental Funds	5,040
	Internal Service Funds	130
		5,170
Water Enterprise	Hetch Hetchy	3,250
	Wastewater Enterprise	2,872
		6,122
Hetch Hetchy	General Fund	750
	Nonmajor Governmental Funds	9,618
	Port of San Francisco	511
	General Hospital Medical Center	1,670
	Wastewater Enterprise	692
	Water Enterprise	13,638
		26,879
Municipal Transportation Agency	Nonmajor Governmental Funds	11,332
		11,332
Wastewater Enterprise	Nonmajor Governmental Funds	61
		61
Total		$ 86,269

In addition to the routine short-term loans, Hetch Hetchy serves as the City's agency for energy efficiency projects and maintains the Sustainable Energy Account (SEA) fund 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, 2011, Hetch Hetchy loaned $13,241 to other City funds. Hetch Hetchy is also due $13,638 from the Water Enterprise to finance improvements to certain up-country water storage and transmission facilities.

At June 30, 2011, the Water Enterprise has receivables in the amount of $6,122 due from Wastewater Enterprise and Hetch Hetchy for their respective allocable share of costs associated with the construction of the future SFPUC headquarters building located at 525 Golden Gate Avenue.

Interfund transactions between the primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary government - governmental fund	Component unit - San Francisco Redevelopment Agency	$ 18,464
Municipal Transportation Agency	Component unit - San Francisco Redevelopment Agency	$ 58
Hetch Hetchy Water and Power Enterprise	Component unit - Treasure Island Development Authority	$ 4,027
Primary government - governmental fund	Component unit - Treasure Island Development Authority	$ 9,202

Transfers Out:	Transfers In: Funds								
Funds	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Water Enterprise	Hetch Hetchy	Municipal Transportation Agency	San Francisco General Hospital	Laguna Honda Hospital	Total
General fund	$ -	$ 140,249	$ 1,018	$ -	$ -	$ 254,890	$ 68,866	$ 37,355	$ 502,378
Nonmajor governmental funds	9,828	35,536	-	8,397	-	43,439	-	31,047	128,247
Internal Service Funds	459	-	-	-	-	-	-	-	459
San Francisco International Airport	30,181	427	-	-	-	-	-	-	30,608
Water Enterprise	500	4,196	-	-	13,638	-	-	-	18,334
Hetch Hetchy	-	184	-	-	-	-	-	-	184
Municipal Transportation Agency	-	5,458	-	-	-	-	-	-	5,458
San Francisco General Hospital	67,060	-	-	-	-	-	-	90	67,150
Wastewater Enterprise	-	110	-	-	-	-	-	-	110
Port	-	82	-	-	-	-	-	-	82
Laguna Honda Hospital	44	10,368	-	-	-	-	5,010	-	15,422
Total transfers out	$ 108,072	$ 196,610	$ 1,018	$ 8,397	$ 13,638	$ 298,329	$ 73,876	$ 68,492	$ 768,432

The $502.4 million General Fund transfer out includes a total of $361.1 million in operating subsidies to Municipal Transportation Agency, San Francisco General Hospital (SFGH), and Laguna Honda Hospital (Note 11). The transfer of $140.2 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 Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are to provide support for various City programs and to provide resources for the payment of debt service.

San Francisco International Airport transferred $30.2 million to the General Fund, representing a portion of concession revenue (Note 11(a)). The General Fund received transfers in of $57.3 million from SFGH for the Safety Net Care Pool (SNCP) intergovernmental transfers (IGT) matching program reimbursement and $9.8 million for Health Care Coverage Initiative (HCCI) reimbursement for Primary Care clinics (Note 11(g)).

The $43.4 million transferred to the Municipal Transportation Agency (MTA) was for capital and operating transfers from the San Francisco County Transportation Authority. The MTA also transferred $5.5 million to nonmajor governmental funds to fund various street improvement projects.

The $31.0 million transfer from nonmajor governmental funds to the Laguna Honda Hospital (LHH) was for capital projects funded by the Laguna Honda Hospital Certificates of Participation from the City Facilities Improvement nonmajor governmental fund. LHH also transferred $10.4 million of Tobacco Settlement Revenues to nonmajor governmental funds for future debt service payment of the LHH general obligation bonds and to SFGH the supplemental surplus revenue in the amount of $5.0 million to fund SFGH's budgetary cost overruns.

The $13.6 million to Hetch Hetchy was transferred in from the Water Enterprise to finance improvements of certain upcountry water storage and transmission facilities.

The Water Enterprise also transferred funds $4.2 million to nonmajor governmental funds for landscape and irrigation project performed for the Water Enterprise and for participation in the surety bond program.

(Dollars in Thousands)

The City's Fire Department (governmental activities) contributed the auxiliary water supply system (AWSS) with a book value of $11.7 million to Water Enterprise to ensure a reliable water supply for fires and disasters. This amount was reported as a capital contribution in the Water Enterprise. In return, the General Fund received transfers in from the Water Enterprise for $0.5 million. Nonmajor governmental funds also transferred $8.4 million of bond proceeds to the Water Enterprise to fund additional improvements on the AWSS.

(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 no significant liabilities will result.

(b) Operating Leases

The City has noncancelable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments:

Primary Government

Governmental Activities

Fiscal Years		
2012…………	$	22,046
2013…………		16,280
2014…………		12,073
2015…………		10,182
2016…………		5,442
2017-2021….		10,691
Total…………	$	76,714

Operating lease expense incurred for fiscal year 2010-2011 was approximately $21.8 million.

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	Municipal Transportation Agency (MTA)	Total Business-type Activities
2012………..	$ 194	$ 2,853	$ 10,387	$ 13,434
2013………..	120	2,853	10,473	13,446
2014………..	118	2,853	10,537	13,508
2015………..	75	2,853	10,773	13,701
2016………..	-	2,787	9,312	12,099
2017-2021….	-	13,469	46,017	59,486
2022-2026….	-	13,469	48,721	62,190
2027-2031….	-	13,469	56,492	69,961
2032-2036….	-	13,469	67,832	81,301
2037-2041….	-	13,469	-	13,469
2042-2046….	-	13,469	-	13,469
2047-2050….	-	8,306	-	8,306
Total…………	$ 507	$ 103,319	$ 270,544	$ 374,370

Operating lease expense incurred for the Airport, Port, and MTA for fiscal year 2010-2011 was $0.2 million, $3.0 million, and $12.4 million, respectively.

Component Unit – San Francisco Redevelopment Agency

The San Francisco Redevelopment Agency (the Agency) has noncancelable operating leases for its office sites, which require the following minimum annual payments:

Fiscal Years			Fiscal Years		
2012……………….	$	1,838	2027-2031………...		4,351
2013……………….		1,822	2032-2036………...		4,351
2014……………….		1,822	2037-2041………...		4,350
2015……………….		1,822	2042-2046………...		4,350
2016……………….		1,822	2047-2051………...		3,698
2017-2021…………		4,747	Total……………….	$	39,324
2022-2026…………		4,351			

Rent payments totaling $2.0 million are included in the Agency's financial statements for the year ended June 30, 2011.

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		
2012……………….	$	2,558
2013……………….		2,326
2014……………….		2,045
2015……………….		1,894
2016……………….		1,582
2017-2021…………		3,056
2022-2026…………		798
2027-2031………...		450
Total……………….	$	14,709

(Dollars in Thousands)

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	San Francisco General Hospital Medical Center	Municipal Transportation Agency	Market Corp	Total Business-type Activities
2012..................	$ 87,951	$ 33,300	$ 1,123	$ 3,355	$ 1,004	$ 126,733
2013..................	83,074	28,069	1,157	2,709	966	115,975
2014..................	76,701	22,628	1,191	2,605	78	103,203
2015..................	68,424	20,447	1,227	1,664	-	91,762
2016..................	65,389	18,586	1,264	815	-	86,054
2017-2021...........	-	78,969	6,911	114	-	85,994
2022-2026...........	-	67,314	-	-	-	67,314
2027-2031...........	-	55,149	-	-	-	55,149
2032-2036...........	-	51,360	-	-	-	51,360
2037-2041...........	-	36,631	-	-	-	36,631
2042-2046...........	-	26,328	-	-	-	26,328
2047-2051...........	-	20,098	-	-	-	20,098
2052-2056...........	-	11,503	-	-	-	11,503
2057-2061...........	-	11,149	-	-	-	11,149
2062-2066...........	-	11,149	-	-	-	11,149
2067-2071...........	-	5,234	-	-	-	5,234
2072-2076...........	-	4,149	-	-	-	4,149
2077-2081...........	-	288	-	-	-	288
Total..................	$ 381,539	$ 502,351	$ 12,873	$ 11,262	$ 2,048	$ 910,073

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 $18.6 million and $12.0 million, respectively, in fiscal year 2010-11. In addition, the Airport has a car rental agreement that will expire on December 31, 2013 with the option to extend for five years. 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 number of deplaning passengers on all scheduled airlines during one calendar month is less than 70% of the number of deplaning passengers for the same calendar month of the base year (1996). The MAG attributable to the rental car companies was approximately $40.9 million for fiscal year 2011.

Component Unit – San Francisco Redevelopment Agency

The Agency leases various facilities within the Yerba Buena Center, Western Addition. Hunters Point, South of Market, Mission Bay North and South Beach Harbor project areas. The minimum annual payments are as follows:

Fiscal Years		Fiscal Years	
2012.....................	$ 5,031	2047-2051............	$ 4,601
2013.....................	5,104	2052-2056............	1,240
2014.....................	4,887	2057-2061............	1,027
2015.....................	4,895	2062-2066............	858
2016.....................	4,839	2067-2071............	595
2017-2021............	22,667	2072-2076............	375
2022-2026............	22,139	2077-2081............	275
2027-2031............	23,748	2082-2086............	225
2032-2036............	24,098	2087-2091............	150
2037-2041............	21,270	2092-2096............	150
2042-2046............	22,568	2097-2098............	60
		Total....................	$ 170,802

For the year ended June 30, 2011, operating lease rental income for noncancelable operating leases was $11.1 million. Within the operating lease rental income, $6.0 million represents contingent rental income received. At June 30, 2011, the leased assets had a net book value of $159.5 million.

(c) Other Commitments

The Retirement System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately $1.3 billion at June 30, 2011.

The City is a participant in the Peninsula Corridor Joint Powers Board (PCJPB), which was formed in 1991 to plan, administer, and operate the Peninsula CalTrain rail service. The City, on behalf of MTA, contributes to the net operating costs and administrative expenses of the PCJPB for operating and capital needs. During the fiscal year ended June 30, 2011, the City contributed approximately $6.5 million to the PCJPB. This is paid by MTA from the subsidy transfer it receives from the City.

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.

(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 MUNI); 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.

(Dollars in Thousands)

The Airport carries general liability insurance coverage of $1 billion, subject to a deductible of $10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at SFO owned by the Airport subject to a deductible of $500 per single occurrence. Additionally, tenants and contractors on all contracts are required to carry commercial general liability insurance in various amounts naming the Airport as additional insured. The Airport carries public official liability and employment practices liability coverage of $5 million, subject to a deductible of $100 per single occurrence for each wrongful act other than employment practices' violations, and $200 per each occurrence for employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment and watercraft liability for Airport fire and rescue vessels. The Airport does not carry insurance for losses due to land movement or seismic activity and losses for war, terrorism and hijacking.

The Port carries the following insurance: 1) marine general liability coverage of $50 million, subject to a deductible of $75 per occurrence; 2) hull and machinery liability coverage of $3.8 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 billion and a deductible of $50 per occurrence; and 4) public officials and employee liability coverage of $5 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. The Port does not carry commercial insurance for workers' compensation, property damage to most Port-owned vehicles, employee health and accident, professional liability and losses due to seismic events. In addition to the above, the Port requires its tenants, licensees and contractors on all contracts to carry commercial general liability insurance in various amounts naming the Port and the City as additional insurers. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The MTA is self-insured up to the first $5 million per accident occurrence, and for over the threshold, MTA has purchased an excess liability insurance policy. Through coordination with the Controller and City Attorney's Office, the MTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process. Claim liabilities are actuarially-determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation and other economic social factors.

The MTA purchases property insurance on scheduled facilities and personal property. Also insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. For MTA contractors, MTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and MTA's property.

The San Francisco Redevelopment Agency is a member of the Bay Cities Joint Powers Insurance Authority (BCJPIA), which provides coverage for its general liability, automobile liability, and public officials' errors and omissions risks with combined single limit of $34 million and a deductible of $50 self insurance retention per occurrence. Claims relating to the construction of the Moscone Convention Center are indemnified by the City under an agreement between the Agency and the City. Workers' compensation insurance is provided by the State Compensation Insurance Fund up to statutorily determined limits.

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, 2011 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 June 30, 2009, resulted from the following activity:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2009-2010	$ 223,749	$ 82,030	$ (65,200)	$ 240,579
2010-2011	240,579	38,240	(54,338)	224,481

Breakdown of the estimated claims payable at June 30, 2011 is as follows:

Governmental activities:	
Current portion of estimated claims payable	$ 34,889
Long-term portion of estimated claims payable	91,155
Total	$ 126,044
Business-type activities:	
Current portion of estimated claims payable	$ 36,972
Long-term portion of estimated claims payable	61,465
Total	$ 98,437

The Retirement System is involved in various other petitions, lawsuits, and threatened lawsuits relating to individuals' benefits due under the Retirement System, which management does not expect to have a material impact on the net assets available for pension benefits. The results of such actions are included in the Retirement System's experience factors used in its actuarial valuations and accordingly, are eventually considered in establishing the City and County's required annual contributions.

(Dollars in Thousands)

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2011 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, 2011 was $371.0 million which is reported in the appropriate individual funds in accordance with the City's accounting policies (Note 2).

Changes in the reported accrued workers' compensation since June 30, 2009, resulted from the following activity:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2009-2010	$ 358,892	$ 73,344	$ (67,257)	$ 364,979
2010-2011	364,979	81,202	(75,167)	371,014

Breakdown of the accrued workers' compensation liability at June 30, 2011 is as follows:

Governmental activities:	
Current portion of accrued workers' compensation liability	$ 39,662
Long-term portion of accrued workers' compensation liability	183,166
Total	$ 222,828

Business-type activities:	
Current portion of accrued workers' compensation liability	$ 24,547
Long-term portion of accrued workers' compensation liability	123,639
Total	$ 148,186

(17) SUBSEQUENT EVENTS

(a) Long-term Debt Issuance

In March 2011, the Airport and JPMorgan Chase Bank, National Association agreed to adjust the facility fee on the letter of credit supporting the $216.0 million Series 2010A Bonds from 1.35% to 1.05% per annum and extended the facility termination date from February 8, 2013 to January 31, 2014. The reduction in facility fee commenced on July 1, 2011.

In July 2011, the Airport terminated the standby bond purchase agreement with Dexia Crédit Local, acting through its New York Branch, relating to the $36.2 million Issue 36C Bonds and remarketed them with a new irrevocable direct-pay letter of credit from U.S. Bank National Association with an expiration date of July 11, 2014. Following the remarketing, Assured Guaranty no longer insures the payment of principal and interest on the Issue 36C Bonds.

In July 2011, the Airport also terminated the standby bond purchase agreement with Dexia relating to the $89.9 million Issue 37C Bonds and remarketed them with a new irrevocable direct-pay letter of credit from Union Bank, N.A. with an expiration date of July 13, 2015. Following the remarketing, Assured Guaranty no longer insures the payment of principal and interest on the Issue 37C Bonds.

In July 2011, the Airport issued $350.4 million of its Second Series Revenue Refunding Bonds, Series 2011C/D/E, to defease and refund portions of the Issue 15A, 16B, 17, 18A, 20, 21, 22, 23A, 27A, 27B, 28A and 30 Bonds for debt service savings, and the remaining Series 2008A-4 Notes. The refunded bonds were redeemed on August 1, 2011, with the exception of the Issue 28A and 30 Bonds and the Series 2008A-4 Notes, which will be redeemed on May 1, 2012. Following this transaction, the Airport has no Series 2008A Notes outstanding.

In July 2011, $720.8 million in Water Revenue Bonds were issued as 2011 Series ABCD. This transaction closed in August 2011. Of this amount, $55.5 million were refunding bonds issued as 2011 Sub Series D, which refunded a portion of 2001 Series A and 2002 Series A Water Revenue Bonds. This refunding resulted in $3.3 million or 5.8%, in net present value savings.

In July 2011, an additional $24.0 million in taxable commercial paper was issued by the Water Enterprise, in the same month, $61.0 million in taxable commercial paper was issued to refund $61.0 million of outstanding commercial paper maturing on August 1, 2011 and August 3, 2011.

In August 2011, the City issued $22.5 million in tax-exempt commercial paper to refund $16.5 million of maturing commercial paper and to provide $6.0 million additional interim funding for the Moscone Improvement project. The note bears interest at 0.13% and matured on October 5, 2011.

In September 2011, the City issued $4.0 million in taxable commercial paper to refund $1 million of maturing taxable commercial paper and to provide $3.0 million interim funding for the War Memorial Veterans Building Seismic Retrofit project. The note bears interest at 0.29% and is scheduled to mature on January 12, 2012.

In September 2011, the Airport issued $354.6 million of its Second Series Revenue Refunding Bonds, Series 2011F/G/H, to defease and refund portions of the Issue 15A, 15B, 16A, 16B, 17, 18A, 20, 21, 22, 23A, 27A, 28A, 28B, 28C, 29A, 29B and 30 Bonds for debt service savings, and to refund the Issue 36D and 37D Bonds, which were variable rate bonds, with long-term fixed rate bonds. Proceeds were also used to make a $4.6 million termination payment to JPMorgan Chase Bank N.A. to terminate the $30.0 million Issue 36D interest rate swap. The refunded bonds were redeemed on September 23, 2011, with the exception of the Issues 28A/B/C and Issue 30 Bonds, which will be redeemed on May 1, 2012, and the Issue 29A/B Bonds, which will be redeemed on May 1, 2013. Following this transaction, the Airport has no remaining liquidity facilities with Dexia. With the termination of the swap associated with the Issue 36D Bonds, the Airport reduced the total notional amount of its interest rate swap portfolio from $513.4 million to $483.4 million.

In October 2011, the City issued $22.6 million and $17.0 million in tax exempt commercial paper to refund $22.5 million in maturing commercial paper and to provide interim financing for the Moscone Center improvement project, vehicle and equipment purchase, street improvements and disability access improvement to the Board of Supervisors chambers. Interest rates on these notes are 0.10% with maturity date of November 2, 2011 and 0.14% with maturity date of January 9, 2012.

In November 2011, the City issued $22.4 million in tax exempt commercial paper to refund $22.6 million in maturing commercial paper. The note bears interest rate at 0.17% and is scheduled to mature on March 8, 2012.

In November 2011, the City issued Refunding Certificates of Participation Series 2011A (Moscone Center South Refunding Project) in the amount of $23.1 million and Series 2011B (Moscone Center North Refunding Project) in the amount of $63.4 million to refund Lease Revenue Refunding Bonds, Series 2004 (Moscone Convention Center South) and Lease Revenue Refunding Bonds, Series 2002 (Moscone Convention Center North) (the "Prior Bonds") previously issued by the Redevelopment Agency to finance the acquisition, construction, improvement, additions, and betterments of the Moscone Convention Center. This refunding resulted in net present value savings of $10.3 million, representing 10.96% savings of refunded bonds, with the average coupon of 4.77%. Series 2011A mature from September 2012 through September 2024 and Series 2011B mature from September 2012 through September 2018.

In November 2011, the City issued General Obligation Refunding Bonds Series 2011-R1 (Series 2011-R1) in the amount of $339.5 million. The proceeds of the bonds will be used to refund all or a portion of certain outstanding general obligation bonds of the City and to pay certain costs related to the issuance of the Series 2011-R1 bonds. This refunding resulted in net present value savings of $36.8 million, representing 9.79% savings of refunded bonds, with average coupon of 4.86%. The bonds mature from June 2012 through June 2030.

In November 2011, the City completed its sixth borrowing from the Credit Agreement with Bank of America, N.A. in the amount of $0.7 million under the Seismic Safety Loan Program. The borrowing was authorized by Resolution No. 65-07 by the Board of Supervisors. The Seismic Safety Loan Program was approved by the voters of the City by Proposition A in November 1992, which authorized the issuance of $350 million aggregate principal amount of general obligation bonds to provide funds for loans to finance the seismic strengthening of unreinforced masonry buildings within the City. The loan bears interest at 3.36% with principal amortizing from June 2012 to June 2031. Debt service payments are funded through ad valorem taxes on property. The loan will fund a below market rate eligible project pursuant to Proposition A.

(b) Elections

On November 8, 2011, the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Proposition A – Authorizes the School District to borrow up to $531 million by issuing general obligation bonds. The proceeds will be used to repair and upgrade more than 50 school facilities to: 1) address health and safety risks by fixing damaged items and removing hazardous materials; 2) repair and replace major building systems; 3) improve accessibility for people with disabilities; 4) repair and build playgrounds and fields; 5) make necessary seismic upgrades; 6) repair or replace temporary classroom facilities with permanent structures; 7) repair or replace existing facility with a new facility; and 8) perform other work necessary to comply with any applicable codes and regulations.

Fiscal Impact: 1) In fiscal year 2012-2013, following the issuance of the first series of bonds, and the year with the lowest tax rate, the estimated annual cost of debt service would be $9.1 million and result in property tax rate of $6.69 per $100 thousand of assessed valuation. 2) In fiscal year 2016-2017, following the issuance of last series of bonds, the year with the highest tax rate, the estimated annual costs of debt service would be $46.7 million and result in a property tax rate of $29.42 per $100 thousand of assessed valuation. 3) The best estimate of the average tax rate for these bonds from fiscal year 2012-2013 through 2035-2036 is $21.39 per $100 thousand of assessed valuation. 4) Based on these estimates, the highest estimated annual property tax cost for these bonds for the owner of a home with assessed value of $0.5 million would be approximately $145.00.

Proposition B – Authorizes the City to borrow up to $248 million by issuing general obligation bonds to improve and repair streets, sidewalks, and street structures. The proceeds will be used to: 1) repair and repave City streets and remove potholes; 2) strengthen and seismically upgrade street structures; 3) redesign street corridors by adding or improving pedestrian signals, lighting, sidewalk extensions, bicycle lanes, trees, and landscaping; 4) construct and renovate curb ramps and sidewalks to increase accessibility and safety for everyone, including persons with disabilities; and 5) add and upgrade traffic signals to improve MUNI service and traffic flow.

Fiscal Impact: 1) In fiscal year 2011-12, following the issuance of the first series of bonds, and the year with the lowest tax rate, the estimated annual cost of debt service would be $3.4 million and result in property tax rate of $2.14 per $100 thousand of assessed valuation. 2) In fiscal year 2018-2019, following the issuance of last series of bonds, and the year with the highest tax rate, the estimated annual costs of debt service would be $22.8 million and result in a property tax rate of $11.46 per $100 thousand of assessed valuation. 3) The best estimate of the average tax rate for these bonds from fiscal year 2011-12 through 2034-2035 is $7.46 per $100 thousand of assessed valuation. 4) Based on these estimates, the highest estimated annual property tax cost for these bonds for the owner of a home with assessed value of $0.5 million would be approximately $57.28.

.

Proposition C – Charter amendment that will change the way the City and current and future employees share in funding SFERS pension and health benefits.

Pension benefits: The base employee contribution rate will stay the same at 7.5% for most employees when the City contribution rate is between 11% and 12% of City payroll. Employees making at least $50 thousand will pay an additional amount up to 6% of compensation when the City

contribution rate is over 12% of City payroll. When the City contribution rate falls below 11%, employee contributions will be decreased proportionately. Proposition C requires elected officials to pay the same contribution rates as City employees, and also requires the City and unions representing CalPERS members to negotiate terms of employment for employees to share costs or received benefits comparable in value to adjustments required for SFERS employee contributions.

Proposition C creates new retirement plans for employees hired on or after January 7, 2012 that will: 1) For miscellaneous employees, increase the minimum retirement age to 53 with 20 years of service or 65 with 10 years; 2) For safety employees, the minimum retirement age will remain at 50 with five years of service, but the age for maximum benefits will increase to 58; 3) for all employees, limit covered compensation, calculate final compensation from three-year average, and change the multipliers used to calculate pension benefits, and 4) For miscellaneous employees, raise the age of eligibility to receive vesting allowance to 53 and reduce by half the City's contribution to vesting allowances. Proposition C limits cost-of-living adjustments for SFERS retirees.

Health Benefits: Elected officials and employees hired on or before January 9, 2009, contribute up to 1% of compensation toward their retiree health care, with matching contribution by the City. For employees or elected officials who left the City workforce before June 30, 2001, and retire after January 6, 2012, Proposition C requires that the City contributions toward retiree health benefits remain at the same levels they were when the employee left the City workforce. Proposition C changes the Health Service System and Health Service Board including the following: 1) replace one elected member of the HSB with a member nominated by the City Controller and approved by HSB; 2) change HSB's voting requirement for approving member health plans from two-third to a simple majority; 3) remove the requirement for a plan permitting the member to choose any licensed medical provider; and 4) allow HSB to spend money on ways to limit health care costs.

Factors that could cause additional costs or savings include: First, to the extent that Retirement System investment returns are outside the range assumed in this analysis, both the required contribution and the range of savings provided by this proposition would be greater or smaller. Second, projected City savings might be reduced if future labor negotiations or arbitration awards result in any salary increases to offset higher employee retirement contributions. Third, to the extent that changes to pension formulas in this measure cause employees to delay or speed up retirement dates, this could provide additional City savings or costs related to retiree pension and health insurance subsidies. Fourth, to the extent that changes in the composition of the Health Service Board result in changes to approved health benefit programs, costs could be higher or lower.

(c) Litigation

In September 2011, the Board of Supervisors authorized the settlement of claims by the Water Enterprise arising out of nine lawsuits involving Mitchell Engineering, and the issuance of settlement bonds of $14.1 million.

(d) Ratings Downgrade

In July 2011, Moody's Investors Service, Inc. lowered its municipal bond rating on all outstanding Water Revenue Bonds from “Aa2” to “Aa3” with a stable outlook while S&P maintained its rating on all outstanding Water Revenue Bonds at “AA-” with a stable outlook.

In September 2011, Moody's downgraded the long-term credit rating of Bank of America Corporation, the guarantor of the Airport's $79.7 million interest rate swap with Merrill Lynch Capital Services, to “Baa1” with a negative outlook.

(e) Municipal Transportation Agency

In October 2011, the Board of Directors of the San Francisco Municipal Railway Improvement Corporation authorized the voluntary dissolution of SFMRIC pursuant to State of California Corporations Code 6610 et seq. and transferred all remaining funds to the San Francisco Municipal Transportation Agency.

Required Supplementary Information

Photo by Bruce Damonte

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information –
Schedules of Funding Progress (Unaudited)
June 30, 2011
(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 pension or 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.

Employees' Retirement System – Pension Plan [1]

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Over (Under) funded AAL (O/UAAL)	Funded Ratio	Covered Payroll	O/UAAL as a % of Covered Payroll
07/01/08	$ 15,941,390	$ 15,358,824	$ 582,566	103.8%	$ 2,457,196	23.7%
07/01/09	16,004,730	16,498,649	(493,919)	97.0%	2,537,785	-19.5%
07/01/10	16,069,058	17,643,394	(1,574,336)	91.1%	2,398,823	-65.6%

(1) In the most recent actuarial valuation as of July 1, 2010, the Retirement System assumed investment rate of return is 7.75% and unchanged from the previous actuarial valuation as of July 1, 2009. The unfunded actuarial liability increased by $1.08 billion from $493.9 million as of July 1, 2009 to an unfunded liability of $1.57 billion as of July 1, 2010. This increase in the unfunded liability primarily reflects investment experience during the year ended June 30, 2009 that is being recognized over five years as well as liability experience losses related to changes to the economic and demographic assumptions approved by the Retirement Board.

In the July 1, 2010 valuation, results incorporate the following assumption changes approved by the Retirement Board at its November 9, 2010 Board meeting:

- Real wage growth assumption reduced from 4.5% to 4.0% based on less likely prospects for real wage growth given the severe budget pressures facing the public sector following the recent economic downturn
- Merit increase assumption for police and fire members increased from 1.0% to 1.5% based on actual experience with Retirement System safety members
- Mortality assumption updated to versions of the RP 2000 mortality table and latest CalPERS disabled mortality table
- Retirement rates increased and separate assumptions adopted for Miscellaneous members with less than 30 years and 30 or more years of service and for Safety members with less than 25 years and 25 or more years of service based on actual Plan experience from 2004 through 2009
- Disability rates reduced based on actual Plan experience from 2004 through 2009
- Withdrawal rates increased based on actual Plan experience from 2004 through 2009
- Refund rates decreased based on actual Plan experience from 2004 through 2009

California Public Employees' Retirement System – Pension Plan (Safety Members)

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/07	$ 622,866	$ 627,675	$ (4,809)	99.2%	$ 85,508	-5.6%
06/30/08	673,275	685,150	(11,875)	98.3%	89,009	-13.3%
06/30/09 [2]	707,615	758,124	(50,509)	93.3%	101,929	-49.6%

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information –
Schedules of Funding Progress (Unaudited)
June 30, 2011
(Dollars in Thousands)

City and County of San Francisco – Other Postemployment Health Care Benefits

Actuarial Valuation Date (1)	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/06	$ -	$ 4,036,324	$ (4,036,324)	0.0%	$ 2,066,866	-195.3%
07/01/08 (2)	-	4,364,273	(4,364,273)	0.0%	2,296,336	-190.1%

San Francisco County Transportation Authority – Other Postemployment Health Care Benefits

Actuarial Valuation Date (1)	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/01/08	$ -	$ 182	$ (182)	0.0%	$ 1,978	-9.2%
01/01/10 (2)	173	374	(201)	46.3%	2,858	-7.0%

San Francisco Redevelopment Agency – Other Postemployment Health Care Benefits

Actuarial Valuation Date (1)	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/07	$ -	$ 13,829	$ (13,829)	0.0%	$ 9,634	-143.5%
06/30/09 (2)	493	13,790	(13,297)	3.6%	10,515	-126.5%

(1) The actuarial valuation report is conducted once every two years.
(2) The most recent actuarial valuation available.

Combining Financial Statements and Schedules

Photo by Bruce Damonte

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 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 Fund – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

Golf Fund – Accounts for the revenue and expenditures related to the City's six golf courses.

Human Welfare Fund – Accounts for state and federal grants used to promote education and discourage domestic violence.

SPECIAL REVENUE FUNDS (Continued)

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, 2011
(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	$ 450,110	$ 55,120	$ 425,336	$ 7,738	$ 938,304
Deposits and investments outside City Treasury	32,332	32,603	51,382	-	116,317
Receivables:					
Property taxes and penalties	3,379	4,564	-	-	7,943
Other local taxes	14,869	-	-	-	14,869
Federal and state grants and subventions	126,272	-	5,928	-	132,200
Charges for services	12,763	-	51	-	12,814
Interest and other	4,113	127	118	-	4,358
Due from other funds	1,474	-	7,279	-	8,753
Due from / advance to component unit	10,406	-	1,007	-	11,413
Loans receivable (net of allowance for uncollectibles)	71,346	-	-	-	71,346
Deferred charges and other assets	4,312	-	36	-	4,348
Total assets	$ 731,376	$ 92,414	$ 491,137	$ 7,738	$ 1,322,665
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 81,623	$ 1	$ 33,817	$ 35	$ 115,476
Accrued payroll	16,838	-	2,553	9	19,400
Deferred tax, grant and subvention revenues	61,173	4,253	442	316	66,184
Due to other funds	26,004	-	15,546	-	41,550
Deferred credits and other liabilities	84,463	16,100	11,964	449	112,976
Bonds, loans, capital leases and other payables	151,683	-	15,836	-	167,519
Total liabilities	421,784	20,354	80,158	809	523,105
Fund balances:					
Nonspendable	192	-	-	-	192
Restricted	320,738	72,060	431,542	6,929	831,269
Committed	-	-	-	-	-
Assigned	27,622	-	-	-	27,622
Unassigned	(38,960)	-	(20,563)	-	(59,523)
Total fund balances	309,592	72,060	410,979	6,929	799,560
Total liabilities and fund balances	$ 731,376	$ 92,414	$ 491,137	$ 7,738	$ 1,322,665

CITY AND COUNTY OF SAN FRANCISCO

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

Year ended June 30, 2011
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	$ 116,681	$ 172,899	$ -	$ -	$ 289,580
Business taxes	722	-	-	-	722
Sales and use tax	75,172	-	-	-	75,172
Hotel room tax	51,035	-	-	-	51,035
Licenses, permits and franchises	10,725	-	-	-	10,725
Fines, forfeitures and penalties	4,902	-	-	-	4,902
Interest and investment income	5,811	1,244	4,004	72	11,131
Rents and concessions	55,153	790	447	662	57,052
Intergovernmental:					
Federal	254,374	-	11,936	-	266,310
State	125,614	762	15,928	-	142,304
Other	27,034	-	4,954	-	31,988
Charges for services	111,384	-	-	-	111,384
Other	72,052	4,319	10,431	15	86,817
Total revenues	910,659	180,014	47,700	749	1,139,122
Expenditures:					
Current:					
Public protection	80,633	-	-	-	80,633
Public works, transportation and commerce	201,412	-	-	-	201,412
Human welfare and neighborhood development	259,960	-	-	68	260,028
Community health	101,283	-	-	-	101,283
Culture and recreation	210,038	-	-	1,198	211,236
General administration and finance	16,260	-	-	-	16,260
General City responsibilities	134	-	-	-	134
Debt service:					
Principal retirement	-	148,231	-	-	148,231
Interest and fiscal charges	2,753	96,770	2,100	-	101,623
Bond issuance costs	-	1,521	640	-	2,161
Capital outlay	-	-	214,817	-	214,817
Total expenditures	872,473	246,522	217,557	1,266	1,337,818
Excess (deficiency) of revenues over (under) expenditures	38,186	(66,508)	(169,857)	(517)	(198,696)
Other financing sources (uses):					
Transfers in	120,504	62,748	13,358	-	196,610
Transfers out	(76,668)	-	(51,570)	(9)	(128,247)
Issuance of bonds and loans:					
Face value of bonds issued	15,000	138,445	79,520	-	232,965
Face value of loans issued	1,813	-	-	-	1,813
Premium on issuance of bonds	-	11,680	5,119	-	16,799
Payment to refunded bond escrow agent	-	(142,458)	-	-	(142,458)
Other financing sources-capital leases	278	-	13,189	-	13,467
Total other financing sources (uses)	60,927	70,415	59,616	(9)	190,949
Net change in fund balances	99,113	3,907	(110,241)	(526)	(7,747)
Fund balances at beginning of year	210,479	68,153	521,220	7,455	807,307
Fund balances at end of year	$ 309,592	$ 72,060	$ 410,979	$ 6,929	$ 799,560

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet Nonmajor Governmental Funds – Special Revenue Funds

June 30, 2011
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund	Culture and Recreation Fund	Environmental Protection Fund
ASSETS								
Deposits and investments with City Treasury	$ 40,438	$ 61,304	$ 63,484	$ 35,171	$ 25,445	$ -	$ 8,780	$ -
Deposits and investments outside City Treasury	1	-	3,777	-	-	-	2	-
Receivables:								
Property taxes and penalties	-	1,267	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Federal and state grants and subventions	-	6,296	11,329	21,157	-	-	111	1,722
Charges for services	294	-	25	-	2,765	189	330	-
Interest and other	-	-	310	15	-	1	-	-
Due from other funds	-	-	-	-	-	-	-	220
Due from / advance to component unit	-	-	540	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles)	324	-	71,022	-	-	-	-	-
Deferred charges and other assets	-	-	446	-	-	-	-	-
Total assets	$ 41,057	$ 68,867	$ 150,933	$ 56,343	$ 28,210	$ 190	$ 9,223	$ 1,942
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 774	$ 12,737	$ 4,973	$ 13,610	$ 1,679	$ -	$ 1,570	$ 755
Accrued payroll	1,385	767	672	1,712	22	8	229	157
Deferred tax, grant and subvention revenues	-	5,236	1,646	8,076	-	-	32	875
Due to other funds	-	-	437	220	-	1,102	-	247
Deferred credits and other liabilities	6,786	4,300	56,015	811	2,149	-	5	64
Bonds, loans, capital leases and other payables	-	-	1,049	-	-	-	-	-
Total liabilities	8,945	23,040	64,792	24,429	3,850	1,110	1,836	2,098
Fund balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	32,112	45,827	83,993	31,914	24,360	-	5,632	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	2,148	-	-	-	1,755	-
Unassigned	-	-	-	-	-	(920)	-	(156)
Total fund balances	32,112	45,827	86,141	31,914	24,360	(920)	7,387	(156)
Total liabilities and fund balances	$ 41,057	$ 68,867	$ 150,933	$ 56,343	$ 28,210	$ 190	$ 9,223	$ 1,942

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (continued)
June 30, 2011
(In Thousands)

	Gasoline Tax Fund	General Services Fund	Gift Fund	Golf Fund	Human Welfare Fund	Open Space and Park Fund	Public Library Fund
ASSETS							
Deposits and investments with City Treasury	$ 9,286	$ 9,685	$ 8,476	$ 2,180	$ -	$ 28,240	$ 33,314
Deposits and investments outside City Treasury	-	-	192	-	-	-	-
Receivables:							
Property taxes and penalties	-	-	-	-	-	1,056	1,056
Other local taxes	-	8	-	-	-	-	-
Federal and state grants and subventions	3,732	403	-	-	4,196	-	-
Charges for services	156	1,800	-	295	-	-	8
Interest and other	-	650	-	-	4	-	-
Due from other funds	-	-	-	-	437	-	-
Due from / advance to component unit	-	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Deferred charges and other assets	-	-	-	-	-	-	-
Total assets	$ 13,174	$ 12,546	$ 8,668	$ 2,475	$ 4,637	$ 29,296	$ 34,378
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 1,051	$ 942	$ 256	$ 282	$ 2,666	$ 389	$ 1,959
Accrued payroll	1,494	368	15	232	25	1,085	2,978
Deferred tax, grant and subvention revenues	-	-	147	-	244	985	1,051
Due to other funds	-	8	-	-	1,654	-	-
Deferred credits and other liabilities	271	128	31	1	-	3,557	3,586
Bonds, loans, capital leases and other payables	-	-	-	-	-	-	-
Total liabilities	2,816	1,446	449	515	4,589	6,016	9,574
Fund balances:							
Nonspendable	-	-	192	-	-	-	-
Restricted	10,358	5,562	8,027	-	-	23,280	23,810
Committed	-	-	-	-	-	-	-
Assigned	-	5,538	-	1,960	48	-	994
Unassigned	-	-	-	-	-	-	-
Total fund balances	10,358	11,100	8,219	1,960	48	23,280	24,804
Total liabilities and fund balances	$ 13,174	$ 12,546	$ 8,668	$ 2,475	$ 4,637	$ 29,296	$ 34,378

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (continued)
June 30, 2011
(In Thousands)

	Public Protection Fund	Public Works, Transportation and Commerce Fund	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
ASSETS							
Deposits and investments with City Treasury	$ -	$ 14,439	$ 14,504	$ 83,564	$ -	$ 11,800	$ 450,110
Deposits and investments outside City Treasury	-	2,517	419	25,424	-	-	32,332
Receivables:							
Property taxes and penalties	-	-	-	-	-	-	3,379
Other local taxes	-	-	-	14,861	-	-	14,869
Federal and state grants and subventions	31,472	51	-	43,696	2,107	-	126,272
Charges for services	2,610	4,290	1	-	-	-	12,763
Interest and other	257	6	-	2,870	-	-	4,113
Due from other funds	-	-	3	814	-	-	1,474
Due from / advance to component unit	-	664	-	9,202	-	-	10,406
Loans receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	71,346
Deferred charges and other assets	-	3,866	-	-	-	-	4,312
Total assets	$ 34,339	$ 25,833	$ 14,927	$ 180,431	$ 2,107	$ 11,800	$ 731,376
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 4,374	$ 892	$ 1,247	$ 30,852	$ 467	$ 148	$ 81,623
Accrued payroll	1,448	2,797	894	229	-	321	16,838
Deferred tax, grant and subvention revenues	21,027	-	-	20,219	1,635	-	61,173
Due to other funds	8,227	61	-	12,407	1,641	-	26,004
Deferred credits and other liabilities	6	5,837	-	843	-	73	84,463
Bonds, loans, capital leases and other payables	-	634	-	150,000	-	-	151,683
Total liabilities	35,082	10,221	2,141	214,550	3,743	542	421,784
Fund balances:							
Nonspendable	-	-	-	-	-	-	192
Restricted	-	433	12,786	1,386	-	11,258	320,738
Committed	-	-	-	-	-	-	-
Assigned	-	15,179	-	-	-	-	27,622
Unassigned	(743)	-	-	(35,505)	(1,636)	-	(38,960)
Total fund balances	(743)	15,612	12,786	(34,119)	(1,636)	11,258	309,592
Total liabilities and fund balances	$ 34,339	$ 25,833	$ 14,927	$ 180,431	$ 2,107	$ 11,800	$ 731,376

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, 2011
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund	Culture and Recreation Fund	Environmental Protection Fund
Revenues:								
Property taxes	$ -	$ 43,755	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	722	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	42,227	-	-	-
Licenses, permits and franchises	6,700	-	-	-	-	-	253	-
Fines, forfeitures and penalties	30	44	4	2,369	-	29	5	-
Interest and investment income	320	600	2,067	389	286	-	73	-
Rents and concessions	-	-	-	-	22,295	-	302	-
Intergovernmental:								
Federal	-	9,907	39,297	67,440	-	-	380	1,083
State	-	14,280	286	44,420	-	-	57	6,113
Other	-	-	1,479	12	-	-	-	526
Charges for services	40,181	20	5,968	4,424	-	3,196	8,301	1
Other	-	945	34,681	1,220	2,091	-	796	206
Total revenues	47,231	69,551	84,504	120,274	66,899	3,225	10,167	7,929
Expenditures:								
Current:								
Public protection	-	-	-	-	-	366	-	-
Public works, transportation and commerce	36,917	-	16,864	1,140	-	20	1,992	-
Human welfare and neighborhood development	-	113,773	72,878	-	1,833	-	-	7,242
Community health	-	-	-	101,283	-	-	-	-
Culture and recreation	-	-	115	-	56,750	-	10,817	-
General administration and finance	-	-	1,946	53	-	-	-	7
General City responsibilities	-	-	-	-	-	-	-	8
Debt service:								
Interest and fiscal charges	-	-	66	-	-	-	20	-
Total expenditures	36,917	113,773	91,869	102,476	58,583	386	12,829	7,257
Excess (deficiency) of revenues over (under) expenditures	10,314	(44,222)	(7,365)	17,798	8,316	2,839	(2,662)	672
Other financing sources (uses):								
Transfers in	-	49,176	-	-	6,911	-	455	6
Transfers out	(39)	(13)	(5,242)	(6)	(792)	(4,187)	(23)	(245)
Issuance of bonds and loans								
Face value of bonds issued	-	-	15,000	-	-	-	-	-
Face value of loans issued	-	-	-	-	-	-	1,813	-
Other financing sources-capital leases	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(39)	49,163	9,758	(6)	6,119	(4,187)	2,245	(239)
Net change in fund balances	10,275	4,941	2,393	17,792	14,435	(1,348)	(417)	433
Fund balances at beginning of year	21,837	40,886	83,748	14,122	9,925	428	7,804	(589)
Fund balances at end of year	$ 32,112	$ 45,827	$ 86,141	$ 31,914	$ 24,360	$ (920)	$ 7,387	$ (156)

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, 2011
(In Thousands)

	Gasoline Tax Fund	General Services Fund	Gift Fund	Golf Fund	Human Welfare Fund	Open Space and Park Fund	Public Library Fund
Revenues:							
Property taxes	$ -	$ -	$ -	$ -	$ -	$ 36,463	$ 36,463
Business taxes	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-
Licenses, permits and franchises	-	2,505	-	-	210	-	-
Fines, forfeitures and penalties	-	-	73	-	4	-	102
Interest and investment income	66	41	72	11	-	192	262
Rents and concessions	-	603	-	3,017	-	-	26
Intergovernmental:							
Federal	-	375	-	-	52,154	-	90
State	39,979	-	-	-	188	170	541
Other	-	-	-	-	-	-	-
Charges for services	662	1,623	17	6,987	166	4	921
Other	10	202	4,463	-	209	-	-
Total revenues	40,717	5,349	4,625	10,015	52,931	36,829	38,405
Expenditures:							
Current:							
Public protection	-	346	59	-	-	-	-
Public works, transportation and commerce	41,931	6	543	27	-	1,315	2,446
Human welfare and neighborhood development	-	-	29	-	45,603	-	-
Community health	-	-	-	-	-	-	-
Culture and recreation	-	925	3,022	10,072	-	35,894	81,016
General administration and finance	-	2,643	103	-	-	-	-
General City responsibilities	-	126	-	-	-	-	-
Debt service:							
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	41,931	4,046	3,756	10,099	45,603	37,209	83,462
Excess (deficiency) of revenues over (under) expenditures	(1,214)	1,303	869	(84)	7,328	(380)	(45,057)
Other financing sources (uses):							
Transfers in	12,678	2,009	-	1,043	2,471	439	45,120
Transfers out	(1,719)	-	(420)	(439)	(6,816)	-	(33)
Issuance of bonds and loans							
Face value of bonds issued	-	-	-	-	-	-	-
Face value of loans issued	-	-	-	-	-	-	-
Other financing sources-capital leases	166	-	-	-	-	-	-
Total other financing sources (uses)	11,125	2,009	(420)	604	(4,345)	439	45,087
Net change in fund balances	9,911	3,312	449	520	2,983	59	30
Fund balances at beginning of year	447	7,788	7,770	1,440	(2,935)	23,221	24,774
Fund balances at end of year	$ 10,358	$ 11,100	$ 8,219	$ 1,960	$ 48	$ 23,280	$ 24,804

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, 2011
(In Thousands)

	Public Protection Fund	Public Works, Transportation and Commerce Fund	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Revenues:							
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 116,681
Business taxes	-	-	-	-	-	-	722
Sales and use tax	-	-	-	75,172	-	-	75,172
Hotel room tax	-	-	-	-	-	8,808	51,035
Licenses, permits and franchises	364	-	-	693	-	-	10,725
Fines, forfeitures and penalties	2,042	190	-	-	-	10	4,902
Interest and investment income	77	221	-	1,028	-	106	5,811
Rents and concessions	-	82	26,449	-	-	2,379	55,153
Intergovernmental:							
Federal	53,245	8	-	25,279	5,116	-	254,374
State	9,006	12	-	9,926	636	-	125,614
Other	-	1,383	-	23,634	-	-	27,034
Charges for services	14,684	23,786	12	-	-	431	111,384
Other	199	412	-	26,617	-	1	72,052
Total revenues	79,617	26,094	26,461	162,349	5,752	11,735	910,659
Expenditures:							
Current:							
Public protection	79,862	-	-	-	-	-	80,633
Public works, transportation and commerce	-	15,475	560	82,033	-	143	201,412
Human welfare and neighborhood development	3,086	9,536	-	-	5,980	-	259,960
Community health	-	-	-	-	-	-	101,283
Culture and recreation	-	-	-	-	-	11,427	210,038
General administration and finance	9	114	11,385	-	-	-	16,260
General City responsibilities	-	-	-	-	-	-	134
Debt service:							
Interest and fiscal charges	-	41	-	2,626	-	-	2,753
Total expenditures	82,957	25,166	11,945	84,659	5,980	11,570	872,473
Excess (deficiency) of revenues over (under) expenditures	(3,340)	928	14,516	77,690	(228)	165	38,186
Other financing sources (uses):							
Transfers in	160	-	8	-	28	-	120,504
Transfers out	(1,237)	(221)	(11,691)	(43,439)	-	(106)	(76,668)
Issuance of bonds and loans							
Face value of bonds issued	-	-	-	-	-	-	15,000
Face value of loans issued	-	-	-	-	-	-	1,813
Other financing sources-capital leases	-	112	-	-	-	-	278
Total other financing sources (uses)	(1,077)	(109)	(11,683)	(43,439)	28	(106)	60,927
Net change in fund balances	(4,417)	819	2,833	34,251	(200)	59	99,113
Fund balances at beginning of year	3,674	14,793	9,953	(68,370)	(1,436)	11,199	210,479
Fund balances at end of year	$ (743)	$ 15,612	$ 12,786	$ (34,119)	$ (1,636)	$ 11,258	$ 309,592

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis
Special Revenue Funds
Year ended June 30, 2011
(In Thousands)

	Building Inspection Fund				Children and Families Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 41,083	$ 41,083	$ 43,755	$ 2,672
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	6,099	6,099	6,700	601	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	317	317	284	(33)	510	510	659	149
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	10,439	10,901	9,906	(995)
State	-	-	-	-	12,574	18,510	18,004	(506)
Other	-	-	-	-	-	-	-	-
Charges for services	37,448	37,448	40,181	2,733	1,150	7	20	13
Other revenues	-	-	-	-	-	3,000	945	(2,055)
Total revenues	43,864	43,864	47,165	3,301	65,756	74,011	73,289	(722)
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	43,864	41,879	36,917	4,962	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	116,335	116,781	113,766	3,015
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Total expenditures	43,864	41,879	36,917	4,962	116,335	116,781	113,766	3,015
Excess (deficiency) of revenues over (under) expenditures	-	1,985	10,248	8,263	(50,579)	(42,770)	(40,477)	2,293
Other financing sources (uses):								
Transfers in	-	-	-	-	48,884	49,171	49,171	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	48,884	49,171	49,171	-
Net change in fund balances	-	1,985	10,248	8,263	(1,695)	6,401	8,694	2,293
Budgetary fund balance (deficit), July 1	-	21,750	21,750	-	1,695	40,761	40,761	-
Budgetary fund balance (deficit), June 30	$ -	$ 23,735	$ 31,998	$ 8,263	$ -	$ 47,162	$ 49,455	$ 2,293

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2011
(In Thousands)

	Community/Neighborhood Development Fund				Community Health Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	900	900	722	(178)	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	4	4	-	2,358	2,358	2,369	11
Interest and investment income	110	1,842	2,062	220	10	10	367	357
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	7,700	39,225	39,225	-	71,566	67,558	67,558	-
State	250	580	580	-	34,525	43,642	43,641	(1)
Other	-	-	-	-	-	29	12	(17)
Charges for services	5,708	5,708	5,968	260	35	3,694	4,424	730
Other revenues	322	36,928	34,933	(1,995)	240	1,250	1,250	-
Total revenues	14,990	85,187	83,494	(1,693)	108,734	118,541	119,621	1,080
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	7,716	16,864	16,864	-	-	1,140	1,140	-
Human welfare and neighborhood development	6,293	73,527	72,878	649	-	-	-	-
Community health	-	-	-	-	108,794	101,283	101,283	-
Culture and recreation	400	115	115	-	-	-	-	-
General administration and finance	3,516	1,946	1,946	-	-	53	53	-
Total expenditures	17,925	92,452	91,803	649	108,794	102,476	102,476	-
Excess (deficiency) of revenues over (under) expenditures	(2,935)	(7,265)	(8,309)	(1,044)	(60)	16,065	17,145	1,080
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(800)	(5,143)	(5,143)	-	-	-	-	-
Issuance of bonds	-	15,000	15,000	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(800)	9,857	9,857	-	-	-	-	-
Net change in fund balances	(3,735)	2,592	1,548	(1,044)	(60)	16,065	17,145	1,080
Budgetary fund balance (deficit), July 1	3,735	73,567	73,567	-	60	21,807	21,807	-
Budgetary fund balance (deficit), June 30	$ -	$ 76,159	$ 75,115	$ (1,044)	$ -	$ 37,872	$ 38,952	$ 1,080

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2011
(In Thousands)

	Convention Facilities Fund				Court's Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	42,227	42,227	42,227	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	35	35	33	(2)
Interest and investment income	-	-	-	-	-	-	-	-
Rents and concessions	21,581	22,081	22,295	214	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	500	-	-	-	3,500	3,500	3,196	(304)
Other revenues	-	2,091	2,091	-	-	-	-	-
Total revenues	64,308	66,399	66,613	214	3,535	3,535	3,229	(306)
Expenditures:								
Public protection	-	-	-	-	4,572	385	366	19
Public works, transportation and commerce	-	-	-	-	-	20	20	-
Human welfare and neighborhood development	500	1,833	1,833	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	58,963	58,839	56,750	2,089	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Total expenditures	59,463	60,672	58,583	2,089	4,572	405	386	19
Excess (deficiency) of revenues over (under) expenditures	4,845	5,727	8,030	2,303	(1,037)	3,130	2,843	(287)
Other financing sources (uses):								
Transfers in	6,911	6,911	6,911	-	-	-	-	-
Transfers out	(11,756)	(11,876)	-	11,876	-	(4,187)	(4,187)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(4,845)	(4,965)	6,911	11,876	-	(4,187)	(4,187)	-
Net change in fund balances	-	762	14,941	14,179	(1,037)	(1,057)	(1,344)	(287)
Budgetary fund balance (deficit), July 1	-	14,182	14,182	-	1,037	434	434	-
Budgetary fund balance (deficit), June 30	$ -	$ 14,944	$ 29,123	$ 14,179	$ -	$ (623)	$ (910)	$ (287)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)

Special Revenue Funds

Year ended June 30, 2011

(In Thousands)

	Culture and Recreation Fund				Environmental Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	262	257	253	(4)	-	-	-	-
Fines, forfeitures, and penalties	-	5	5	-	-	-	-	-
Interest and investment income	53	53	69	16	-	-	-	-
Rents and concessions	296	296	302	6	-	-	-	-
Intergovernmental:								
Federal	-	380	380	-	-	1,206	1,206	-
State	-	57	57	-	429	5,979	5,979	-
Other	-	-	-	-	405	323	326	3
Charges for services	6,907	8,547	8,301	(246)	-	-	-	-
Other revenues	764	810	796	(14)	954	245	206	(39)
Total revenues	8,282	10,405	10,163	(242)	1,788	7,753	7,717	(36)
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	544	1,992	1,992	-	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	755	7,242	7,242	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	8,518	11,040	10,837	203	-	-	-	-
General administration and finance	-	-	-	-	-	7	7	-
Total expenditures	9,062	13,032	12,829	203	755	7,249	7,249	-
Excess (deficiency) of revenues over (under) expenditures	(780)	(2,627)	(2,666)	(39)	1,033	504	468	(36)
Other financing sources (uses):								
Transfers in	400	455	455	-	-	-	-	-
Transfers out	-	(8)	(8)	-	(1,033)	(247)	(247)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	1,813	1,813	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Total other financing sources (uses)	400	2,260	2,260	-	(1,033)	(247)	(247)	-
Net change in fund balances	(380)	(367)	(406)	(39)	-	257	221	(36)
Budgetary fund balance (deficit), July 1	380	12,656	12,656	-	-	(257)	(257)	-
Budgetary fund balance (deficit), June 30	$ -	$ 12,289	$ 12,250	$ (39)	$ -	$ -	$ (36)	$ (36)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)

Special Revenue Funds

Year ended June 30, 2011

(In Thousands)

	Gasoline Tax Fund				General Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	1,749	1,749	2,505	756
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	42	42	78	36	43	43	43	-
Rents and concessions	-	-	-	-	-	603	603	-
Intergovernmental:								
Federal	-	-	-	-	-	221	221	-
State	28,614	39,883	39,980	97	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	800	790	662	(128)	1,525	1,609	1,623	14
Other revenues	-	10	10	-	267	202	202	-
Total revenues	29,456	40,725	40,730	5	3,584	4,427	5,197	770
Expenditures:								
Public protection	-	-	-	-	293	346	346	-
Public works, transportation and commerce	42,212	42,254	41,766	488	-	6	6	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	925	925	-
General administration and finance	-	-	-	-	5,187	2,652	2,643	9
Total expenditures	42,212	42,254	41,766	488	5,480	3,929	3,920	9
Excess (deficiency) of revenues over (under) expenditures	(12,756)	(1,529)	(1,036)	493	(1,896)	498	1,277	779
Other financing sources (uses):								
Transfers in	12,756	12,678	12,678	-	1,883	1,883	1,883	-
Transfers out	-	(1,719)	(1,719)	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Total other financing sources (uses)	12,756	10,959	10,959	-	1,883	1,883	1,883	-
Net change in fund balances	-	9,430	9,923	493	(13)	2,381	3,160	779
Budgetary fund balance (deficit), July 1	-	413	413	-	13	7,937	7,937	-
Budgetary fund balance (deficit), June 30	$ -	$ 9,843	$ 10,336	$ 493	$ -	$ 10,318	$ 11,097	$ 779

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2011
(In Thousands)

	Gift Fund				Golf Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	73	73	-	-	-	-	-
Interest and investment income	-	18	23	5	10	10	13	3
Rents and concessions	-	-	-	-	3,609	3,609	3,017	(592)
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	12	17	5	8,328	8,738	6,987	(1,751)
Other revenues	834	4,145	4,463	318	-	-	-	-
Total revenues	834	4,248	4,576	328	11,947	12,357	10,017	(2,340)
Expenditures:								
Public protection	-	59	59	-	-	-	-	-
Public works, transportation and commerce	-	544	544	-	-	27	27	-
Human welfare and neighborhood development	20	29	29	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	814	3,022	3,022	-	11,670	11,577	10,072	1,505
General administration and finance	-	103	103	-	-	-	-	-
Total expenditures	834	3,757	3,757	-	11,670	11,604	10,099	1,505
Excess (deficiency) of revenues over (under) expenditures	-	491	819	328	277	753	(82)	(835)
Other financing sources (uses):								
Transfers in	-	-	-	-	758	1,043	1,043	-
Transfers out	-	(368)	(368)	-	-	(1,035)	(439)	596
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(368)	(368)	-	758	8	604	596
Net change in fund balances	-	123	451	328	1,035	761	522	(239)
Budgetary fund balance (deficit), July 1	-	7,756	7,756	-	-	1,435	1,435	-
Budgetary fund balance (deficit), June 30	$ -	$ 7,879	$ 8,207	$ 328	$ 1,035	$ 2,196	$ 1,957	$ (239)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2011
(In Thousands)

	Human Welfare Fund				Open Space and Park Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 34,237	$ 34,237	$ 36,463	$ 2,226
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	210	210	210	-	-	-	-	-
Fines, forfeitures, and penalties	-	4	4	-	-	-	-	-
Interest and investment income	-	-	-	-	452	448	233	(215)
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	16,603	48,996	48,997	1	-	-	-	-
State	55	188	188	-	152	152	170	18
Other	-	-	-	-	-	-	-	-
Charges for services	176	172	166	(6)	-	4	4	-
Other revenues	100	209	209	-	-	-	-	-
Total revenues	17,144	49,779	49,774	(5)	34,841	34,841	36,870	2,029
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	1,316	1,316	-
Human welfare and neighborhood development	19,715	45,546	45,546	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	37,512	36,535	35,894	641
General administration and finance	-	-	-	-	-	-	-	-
Total expenditures	19,715	45,546	45,546	-	37,512	37,851	37,210	641
Excess (deficiency) of revenues over (under) expenditures	(2,571)	4,233	4,228	(5)	(2,671)	(3,010)	(340)	2,670
Other financing sources (uses):								
Transfers in	2,413	2,413	2,413	-	1,035	1,035	439	(596)
Transfers out	(32)	(6,848)	(6,816)	32	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Total other financing sources (uses)	2,381	(4,435)	(4,403)	32	1,035	1,035	439	(596)
Net change in fund balances	(190)	(202)	(175)	27	(1,636)	(1,975)	99	2,074
Budgetary fund balance (deficit), July 1	190	306	306	-	1,636	23,104	23,104	-
Budgetary fund balance (deficit), June 30	$ -	$ 104	$ 131	$ 27	$ -	$ 21,129	$ 23,203	$ 2,074

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2011
(In Thousands)

	Public Library Fund				Public Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ 34,237	$ 34,237	$ 36,463	$ 2,226	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	489	489	364	(125)
Fines, forfeitures, and penalties	-	102	102	-	1,596	2,051	2,042	(9)
Interest and investment income	222	222	260	38	51	115	96	(19)
Rents and concessions	38	38	26	(12)	-	-	-	-
Intergovernmental:								
Federal	-	90	90	-	7,120	58,759	58,759	-
State	574	519	541	22	8,828	9,007	9,007	-
Other	-	-	-	-	-	-	-	-
Charges for services	710	608	921	313	3,994	4,057	14,782	10,725
Other revenues	-	-	-	-	-	199	199	-
Total revenues	35,781	35,816	38,403	2,587	22,078	74,677	85,249	10,572
Expenditures:								
Public protection	-	-	-	-	21,589	79,934	79,702	232
Public works, transportation and commerce	-	2,446	2,446	-	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	2,578	3,086	3,086	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	82,967	83,507	81,016	2,491	-	-	-	-
General administration and finance	-	-	-	-	-	9	9	-
Total expenditures	82,967	85,953	83,462	2,491	24,167	83,029	82,797	232
Excess (deficiency) of revenues over (under) expenditures	(47,186)	(50,137)	(45,059)	5,078	(2,089)	(8,352)	2,452	10,804
Other financing sources (uses):								
Transfers in	43,514	48,390	45,120	(3,270)	-	-	-	-
Transfers out	-	-	-	-	-	(1,237)	(1,237)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Total other financing sources (uses)	43,514	48,390	45,120	(3,270)	-	(1,237)	(1,237)	-
Net change in fund balances	(3,672)	(1,747)	61	1,808	(2,089)	(9,589)	1,215	10,804
Budgetary fund balance (deficit), July 1	3,672	24,663	24,663	-	2,089	15,801	15,801	-
Budgetary fund balance (deficit), June 30	$ -	$ 22,916	$ 24,724	$ 1,808	$ -	$ 6,212	$ 17,016	$ 10,804

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2011
(In Thousands)

	Public Works, Transportation and Commerce Fund				Real Property Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	39	190	151	-	-	-	-
Interest and investment income	-	-	-	-	-	-	-	-
Rents and concessions	-	82	82	-	1,289	25,655	26,449	794
Intergovernmental:								
Federal	-	8	8	-	-	-	-	-
State	-	12	12	-	-	-	-	-
Other	-	1,385	1,385	-	-	-	-	-
Charges for services	10,194	19,187	23,787	4,600	-	12	12	-
Other revenues	-	882	412	(470)	-	-	-	-
Total revenues	10,194	21,595	25,876	4,281	1,289	25,667	26,461	794
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	14,682	15,363	(681)	-	560	560	-
Human welfare and neighborhood development	10,194	10,149	9,536	613	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	114	114	-	1,289	11,377	11,377	-
Total expenditures	10,194	24,945	25,013	(68)	1,289	11,937	11,937	-
Excess (deficiency) of revenues over (under) expenditures	-	(3,350)	863	4,213	-	13,730	14,524	794
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(11,691)	(11,691)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(11,691)	(11,691)	-
Net change in fund balances	-	(3,350)	863	4,213	-	2,039	2,833	794
Budgetary fund balance (deficit), July 1	-	13,672	13,672	-	-	9,957	9,957	-
Budgetary fund balance (deficit), June 30	$ -	$ 10,322	$ 14,535	$ 4,213	$ -	$ 11,996	$ 12,790	$ 794

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2011
(In Thousands)

	San Francisco County Transportation Authority Fund				Senior Citizens' Program Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	68,717	68,717	75,172	6,455	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	684	692	8	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	1,603	1,603	1,029	(574)	-	-	-	-
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	10,292	12,527	25,279	12,752	5,162	5,150	5,150	-
State	44,683	37,412	9,926	(27,486)	779	815	815	-
Other	3,900	1,270	23,634	22,364	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Other revenues	-	23,492	26,617	3,125	-	-	-	-
Total revenues	129,195	145,705	162,349	16,644	5,941	5,965	5,965	-
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	187,232	138,064	130,095	7,969	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	5,941	5,951	5,951	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Total expenditures	187,232	138,064	130,095	7,969	5,941	5,951	5,951	-
Excess (deficiency) of revenues over (under) expenditures	(58,037)	7,641	32,254	24,613	-	14	14	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	152,788	-	-	-	-	-	-	-
Total other financing sources (uses)	152,788	-	-	-	-	-	-	-
Net change in fund balances	94,751	7,641	32,254	24,613	-	14	14	-
Budgetary fund balance (deficit), July 1	803	86,217	86,217	-	-	(12)	(12)	-
Budgetary fund balance (deficit), June 30	$ 95,554	$ 93,858	$ 118,471	$ 24,613	$ -	$ 2	$ 2	$ -

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2011
(In Thousands)

	War Memorial Fund				TOTAL			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 109,557	$ 109,557	$ 116,681	$ 7,124
Business taxes	-	-	-	-	900	900	722	(178)
Sales and use tax	-	-	-	-	68,717	68,717	75,172	6,455
Hotel room tax	8,808	8,808	8,808	-	51,035	51,035	51,035	-
Licenses, permits, and franchises	-	-	-	-	8,809	9,488	10,724	1,236
Fines, forfeitures, and penalties	-	10	10	-	3,989	4,681	4,832	151
Interest and investment income	-	-	-	-	3,423	5,233	5,216	(17)
Rents and concessions	1,723	2,094	2,378	284	28,536	54,458	55,152	694
Intergovernmental:								
Federal	-	-	-	-	128,882	245,021	256,779	11,758
State	-	-	-	-	131,463	156,756	128,900	(27,856)
Other	-	-	-	-	4,305	3,007	25,357	22,350
Charges for services	299	366	431	65	81,274	94,459	111,482	17,023
Other revenues	-	-	-	-	3,481	73,463	72,333	(1,130)
Total revenues	10,830	11,278	11,627	349	624,371	876,775	914,385	37,610
Expenditures:								
Public protection	-	-	-	-	26,454	80,724	80,473	251
Public works, transportation and commerce	-	143	143	-	281,568	261,937	249,199	12,738
Human welfare and neighborhood development	-	-	-	-	162,331	264,144	259,867	4,277
Community health	-	-	-	-	108,794	101,283	101,283	-
Culture and recreation	11,889	12,218	11,427	791	212,733	217,778	210,058	7,720
General administration and finance	-	-	-	-	9,992	16,261	16,252	9
Total expenditures	11,889	12,361	11,570	791	801,872	942,127	917,132	24,995
Excess (deficiency) of revenues over (under) expenditures	(1,059)	(1,083)	57	1,140	(177,501)	(65,352)	(2,747)	62,605
Other financing sources (uses):								
Transfers in	-	-	-	-	118,554	123,979	120,113	(3,866)
Transfers out	-	-	-	-	(13,621)	(44,359)	(31,855)	12,504
Issuance of bonds	-	-	-	-	-	15,000	15,000	-
Issuance of loans	-	-	-	-	-	1,813	1,813	-
Issuance of commercial paper	-	-	-	-	152,788	-	-	-
Total other financing sources (uses)	-	-	-	-	257,721	96,433	105,071	8,638
Net change in fund balances	(1,059)	(1,083)	57	1,140	80,220	31,081	102,324	71,243
Budgetary fund balance (deficit), July 1	1,059	11,164	11,164	-	16,369	387,313	387,313	-
Budgetary fund balance (deficit), June 30	$ -	$ 10,081	$ 11,221	$ 1,140	$ 96,589	$ 418,394	$ 489,637	$ 71,243

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Special Revenue Funds
Year ended June 30, 2011
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection	$ 43,864	$ 41,867	$ 36,905	$ 4,962
Public Works	-	12	12	-
Total Building Inspection Fund	43,864	41,879	36,917	4,962
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services	14,491	14,472	12,987	1,485
Children and Families Commission	22,515	23,303	23,303	-
Mayor's Office	79,329	79,006	77,476	1,530
Total Children and Families Fund	116,335	116,781	113,766	3,015
COMMUNITY/NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Business and Economic Development	6,499	14,549	14,549	-
Municipal Transportation Agency	-	2	2	-
Public Works	1,217	2,313	2,313	-
	7,716	16,864	16,864	-
Human Welfare and Neighborhood Development				
Mayor's Office	868	68,067	68,067	-
Rent Arbitration Board	5,425	5,460	4,811	649
	6,293	73,527	72,878	649
Culture and Recreation				
Recreation and Park Commission	400	115	115	-
General Administration and Finance				
Administrative Services	1,183	960	960	-
City Planning	2,333	986	986	-
	3,516	1,946	1,946	-
Total Community/Neighborhood Development Fund	17,925	92,452	91,803	649
COMMUNITY HEALTH SERVICES FUND				
Public Works, Transportation and Commerce				
Public Works	-	1,140	1,140	-
Community Health				
Community Health Network	108,794	101,283	101,283	-
General Administration and Finance				
Administrative Services	-	53	53	-
Total Community Health Services Fund	108,794	102,476	102,476	-
CONVENTION FACILITIES FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	500	1,833	1,833	-
Culture and Recreation				
Arts Commission	-	5	5	-
Administrative Services	58,963	58,834	56,745	2,089
	58,963	58,839	56,750	2,089
Total Convention Facilities Fund	59,463	60,672	58,583	2,089

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2011
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
COURT'S FUND				
Public Protection				
Trial Courts	$ 4,572	$ 385	$ 366	$ 19
Public Works, Transportation and Commerce				
Public Works	-	20	20	-
Total Court's Fund	4,572	405	386	19
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office	544	217	217	-
Public Works	-	1,775	1,775	-
	544	1,992	1,992	-
Culture and Recreation				
Arts Commission	1,366	3,082	3,082	-
Asian Art Museum	904	394	394	-
Fine Arts Museums	3,517	4,483	4,483	-
Recreation and Park Commission	2,731	3,081	2,878	203
	8,518	11,040	10,837	203
Total Culture and Recreation Fund	9,062	13,032	12,829	203
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	755	7,242	7,242	-
General Administration and Finance				
City Planning	-	7	7	-
Total Environmental Protection Fund	755	7,249	7,249	-
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	705	705	-
Public Utilities Commission	-	990	990	-
Public Works	42,212	40,559	40,071	488
Total Gasoline Tax Fund	42,212	42,254	41,766	488
GENERAL SERVICES FUND				
Public Protection				
Mayor's Office	-	20	20	-
Trial Courts	293	326	326	-
	293	346	346	-
Public Works, Transportation and Commerce				
Public Works	-	6	6	-
Culture and Recreation				
Fine Arts Museum	-	925	925	-
General Administration and Finance				
Assessor/Recorder	1,075	940	940	-
Board of Supervisors	-	41	41	-
Telecommunications and Information Services	3,845	1,469	1,461	8
Treasurer/Tax Collector	267	202	201	1
	5,187	2,652	2,643	9
Total General Services Fund	5,480	3,929	3,920	9

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2011
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GIFT FUND				
Public Protection				
Fire Department	$ -	$ 10	$ 10	$ -
Police Department	-	49	49	-
	-	59	59	-
Public Works, Transportation and Commerce				
Public Works	-	544	544	-
Human Welfare and Neighborhood Development				
Mayor's Office	-	12	12	-
Social Services	20	12	12	-
Commission on Status of Women	-	5	5	-
	20	29	29	-
Culture and Recreation				
Arts Commission	-	16	16	-
Fine Arts Museums	-	1,835	1,835	-
Public Library	-	705	705	-
Recreation and Park Commission	814	383	383	-
War Memorial	-	83	83	-
	814	3,022	3,022	-
General Administration and Finance				
Administrative Services	-	103	103	-
Total Gift Fund	834	3,757	3,757	-
GOLF FUND				
Public Works, Transportation and Commerce				
Public Works	-	27	27	-
Culture and Recreation				
Recreation and Park Commission	11,670	11,577	10,072	1,505
Total Golf Fund	11,670	11,604	10,099	1,505
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women	368	403	403	-
Social Services	19,347	45,143	45,143	-
	19,715	45,546	45,546	-
Total Human Welfare Fund	19,715	45,546	45,546	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2011
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	$ -	$ 16	$ 16	$ -
Public Works	-	1,300	1,300	-
	-	1,316	1,316	-
Culture and Recreation				
Recreation and Park Commission	37,512	36,535	35,894	641
Total Open Space and Park Fund	37,512	37,851	37,210	641
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Works	-	2,446	2,446	-
	-	2,446	2,446	-
Culture and Recreation				
Arts Commission	-	52	52	-
Public Library	82,967	83,455	80,964	2,491
	82,967	83,507	81,016	2,491
Total Public Library Fund	82,967	85,953	83,462	2,491
PUBLIC PROTECTION FUND				
Public Protection				
District Attorney	5,527	6,110	6,110	-
Emergency Communications Department	911	47,284	47,052	232
Fire Department	1,132	637	637	-
Mayor's Office	-	248	248	-
Police Commission	8,465	20,491	20,491	-
Public Defender	230	298	298	-
Sheriff	2,807	2,357	2,357	-
Trial Courts	2,517	2,509	2,509	-
	21,589	79,934	79,702	232
Human Welfare and Neighborhood Development				
Mayor's Office	2,578	3,086	3,086	-
General City Responsibilities				
Administrative Services	-	9	9	-
Total Public Protection Fund	24,167	83,029	82,797	232

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2011
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Public Works	$ -	$ 14,682	$ 15,363	$ (681)
Human Welfare and Neighborhood Development				
Mayor's Office	10,194	10,149	9,536	613
General Administration and Finance				
City Planning	-	114	114	-
Total Public Works, Transportation and Commerce Fund	10,194	24,945	25,013	(68)
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Works	-	560	560	-
General Administration and Finance				
Administrative Services	1,289	11,377	11,377	-
Total Real Property Fund	1,289	11,937	11,937	-
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors	187,232	138,064	130,095	7,969
Total SF County Transportation Authority Fund	187,232	138,064	130,095	7,969
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Social Services Department	5,941	5,951	5,951	-
Total Senior Citizens' Program Fund	5,941	5,951	5,951	-
WAR MEMORIAL FUND				
Public Works, Transportation and Commerce				
Public Works	-	143	143	-
Culture and Recreation				
War Memorial	11,889	12,218	11,427	791
Total War Memorial Fund	11,889	12,361	11,570	791
Total Special Revenue Funds With Legally Adopted Budgets	$ 801,872	$ 942,127	$ 917,132	$ 24,995

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Debt Service Funds
June 30, 2011
(In Thousands)

	General Obligation Bond	Certificates of Participation	Other Bond Funds	Total
ASSETS				
Deposits and investments with City Treasury	$ 55,120	$ -	$ -	$ 55,120
Deposits and investments outside City Treasury	-	32,603	-	32,603
Receivables:				
Property taxes and penalties	4,564	-	-	4,564
Interest and other	-	127	-	127
Total assets	$ 59,684	$ 32,730	$ -	$ 92,414
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1	$ -	$ -	$ 1
Deferred tax, grant and subvention revenues	4,253	-	-	4,253
Deferred credits and other liabilities	16,100	-	-	16,100
Total liabilities	20,354	-	-	20,354
Fund balances:				
Restricted	39,330	32,730	-	72,060
Total fund balances	39,330	32,730	-	72,060
Total liabilities and fund balances	$ 59,684	$ 32,730	$ -	$ 92,414

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, 2011
(In Thousands)

	General Obligation Bond	Certificates of Participation	Other Bond Funds	Total
Revenues:				
Property taxes	$ 172,899	$ -	$ -	$ 172,899
Interest and investment income	915	329	-	1,244
Rents and concessions	-	790	-	790
Intergovernmental:				
State	762	-	-	762
Other	3,994	325	-	4,319
Total revenues	178,570	1,444	-	180,014
Expenditures:				
Current:				
Debt service:				
Principal retirement	125,168	13,675	9,388	148,231
Interest and fiscal charges	68,263	27,833	674	96,770
Bond issuance costs	-	1,521	-	1,521
Total expenditures	193,431	43,029	10,062	246,522
Deficiency of revenues under expenditures	(14,861)	(41,585)	(10,062)	(66,508)
Other financing sources (uses):				
Transfers in	17,290	35,396	10,062	62,748
Face value of bonds issued	-	138,445	-	138,445
Premium on issuance of bonds	-	11,680	-	11,680
Payment to refunded bond escrow agent	-	(142,458)	-	(142,458)
Total other financing sources, net	17,290	43,063	10,062	70,415
Net change in fund balances	2,429	1,478	-	3,907
Fund balances at beginning of year	36,901	31,252	-	68,153
Fund balances at end of year	$ 39,330	$ 32,730	$ -	$ 72,060

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Budget Basis
Debt Service Fund
Year ended June 30, 2011
(In Thousands)

	General Obligation Bond Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 195,598	$ 195,598	$ 172,899	$ (22,699)
Interest and investment income	-	-	998	998
Intergovernmental:				
State	750	750	762	12
Other revenues	-	3,994	3,994	-
Total revenues	196,348	200,342	178,653	(21,689)
Expenditures:				
Debt service:				
Principal retirement	196,348	125,168	125,168	-
Interest and fiscal charges	-	68,263	68,263	-
Total expenditures	196,348	193,431	193,431	-
Excess (deficiency) of revenues over (under) expenditures	-	6,911	(14,778)	(21,689)
Other financing sources:				
Transfers in	-	17,290	17,290	-
Net change in fund balances	-	24,201	2,512	(21,689)
Budgetary fund balance, July 1	-	44,370	44,370	-
Budgetary fund balance, June 30	$ -	$ 68,571	$ 46,882	$ (21,689)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds
June 30, 2011
(In Thousands)

	City Facilities Improvement	Earthquake Safety Improvement	Fire Protection Systems Improvement	Moscone Convention Center
ASSETS				
Deposits and investments with City Treasury	$ 306,439	$ 562	$ 8,286	$ -
Deposits and investments outside City Treasury	31,196	-	-	1,830
Receivables:				
Federal and state grants and subventions	-	-	-	-
Charges for services	-	-	-	-
Interest and other	1	-	-	117
Due from other funds	-	-	-	-
Due from / advance to component unit	-	-	-	-
Deferred charges and other assets	-	-	-	36
Total assets	$ 337,636	$ 562	$ 8,286	$ 1,983
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 18,692	$ 87	$ 25	$ 3,094
Accrued payroll	431	87	1	20
Deferred tax, grant and subvention revenues	-	-	-	-
Due to other funds	5,040	-	-	9,691
Deferred credits and other liabilities	282	1	6	-
Bonds, loans, capital leases and other payables	-	-	-	9,741
Total liabilities	24,445	175	32	22,546
Fund balances:				
Restricted	313,191	387	8,254	-
Unassigned	-	-	-	(20,563)
Total fund balances	313,191	387	8,254	(20,563)
Total liabilities and fund balances	$ 337,636	$ 562	$ 8,286	$ 1,983

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds (continued)
June 30, 2011
(In Thousands)

	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
ASSETS				
Deposits and investments with City Treasury	$ 6,569	$ 87,153	$ 16,327	$ 425,336
Deposits and investments outside City Treasury	-	-	18,356	51,382
Receivables:				
Federal and state grants and subventions	-	1,045	4,883	5,928
Charges for services	-	-	51	51
Interest and other	-	-	-	118
Due from other funds	4,886	1,538	855	7,279
Due from / advance to component unit	-	-	1,007	1,007
Deferred charges and other assets	-	-	-	36
Total assets	$ 11,455	$ 89,736	$ 41,479	$ 491,137
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 2,333	$ 4,307	$ 5,279	$ 33,817
Accrued payroll	125	419	1,470	2,553
Deferred tax, grant and subvention revenues	-	442	-	442
Due to other funds	-	-	815	15,546
Deferred credits and other liabilities	178	94	11,403	11,964
Bonds, loans, capital leases and other payables	-	-	6,095	15,836
Total liabilities	2,636	5,262	25,062	80,158
Fund balances:				
Restricted	8,819	84,474	16,417	431,542
Unassigned	-	-	-	(20,563)
Total fund balances	8,819	84,474	16,417	410,979
Total liabilities and fund balances	$ 11,455	$ 89,736	$ 41,479	$ 491,137

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, 2011
(In Thousands)

	City Facilities Improve-ment	Earthquake Safety Improve-ment	Fire Protection Systems Improve-ment	Moscone Convention Center
Revenues:				
Interest and investment income	$ 3,013	$ 6	$ 74	$ 20
Rents and concessions	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
State	-	-	-	-
Other	-	-	-	-
Other	-	-	-	-
Total revenues	3,013	6	74	20
Expenditures:				
Debt service:				
Interest and fiscal charges	1,210	-	-	505
Bond issuance costs	640	-	-	-
Capital outlay	109,681	557	83	7,383
Total expenditures	111,531	557	83	7,888
Excess (deficiency) of revenues over (under) expenditures	(108,518)	(551)	(9)	(7,868)
Other financing sources (uses):				
Transfers in	313	-	-	506
Transfers out	(44,563)	-	-	(6,930)
Issuance of bonds and loans				
Face value of bonds issued	79,520	-	-	-
Premium on issuance of bonds	5,119	-	-	-
Other financing sources-capital leases	-	-	-	-
Total other financing sources, net	40,389	-	-	(6,424)
Net change in fund balances	(68,129)	(551)	(9)	(14,292)
Fund balances at beginning of year	381,320	938	8,263	(6,271)
Fund balances at end of year	$ 313,191	$ 387	$ 8,254	$ (20,563)

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, 2011
(In Thousands)

	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
Revenues:				
Interest and investment income	$ 60	$ 773	$ 58	$ 4,004
Rents and concessions	-	-	447	447
Intergovernmental:				
Federal	-	-	11,936	11,936
State	971	6,335	8,622	15,928
Other	-	-	4,954	4,954
Other	-	1,396	9,035	10,431
Total revenues	1,031	8,504	35,052	47,700
Expenditures:				
Debt service:				
Interest and fiscal charges	-	-	385	2,100
Bond issuance costs	-	-	-	640
Capital outlay	18,409	29,194	49,510	214,817
Total expenditures	18,409	29,194	49,895	217,557
Excess (deficiency) of revenues over (under) expenditures	(17,378)	(20,690)	(14,843)	(169,857)
Other financing sources (uses):				
Transfers in	-	5,757	6,782	13,358
Transfers out	-	(77)	-	(51,570)
Issuance of bonds and loans				
Face value of bonds issued	-	-	-	79,520
Premium on issuance of bonds	-	-	-	5,119
Other financing sources-capital leases	9,643	3,546	-	13,189
Total other financing sources, net	9,643	9,226	6,782	59,616
Net change in fund balances	(7,735)	(11,464)	(8,061)	(110,241)
Fund balances at beginning of year	16,554	95,938	24,478	521,220
Fund balances at end of year	$ 8,819	$ 84,474	$ 16,417	$ 410,979

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 personnel. It also accounts for the related billings to various departments for specific services performed and operating support from the General Fund.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Net Assets – Internal Service Funds
June 30, 2011
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total	
Assets						
Current assets:						
Deposits and investments with City Treasury	$ 2,446	$ 320	$ 516	$ 25,617	$ 28,899	
Receivables:						
Charges for services	134	-	-	-	134	
Interest and other	-	166	61	474	701	
Due from other funds	-	80	-	-	80	(1)
Capital leases receivable	-	18,984	-	-	18,984	
Total current assets	2,580	19,550	577	26,091	48,798	
Noncurrent assets:						
Restricted assets:						
Deposits and investments outside City Treasury	-	77,505	-	-	77,505	
Capital leases receivable	-	261,683	-	-	261,683	
Capital assets:						
Facilities and equipment, net of depreciation	488	-	433	5,211	6,132	
Deferred charges and other assets	-	4,789	-	-	4,789	
Total noncurrent assets	488	343,977	433	5,211	350,109	
Total assets	3,068	363,527	1,010	31,302	398,907	
Liabilities						
Current liabilities:						
Accounts payable	1,373	603	41	3,682	5,699	
Accrued payroll	551	-	62	1,352	1,965	
Accrued vacation and sick leave pay	421	-	-	1,064	1,485	
Accrued workers' compensation	-	-	-	156	156	
Bonds, loans, capital leases, and other payables	-	17,105	127	313	17,545	
Accrued interest payable	-	1,764	-	-	1,764	
Due to other funds	16	6,803	-	64	6,883	(1)
Deferred credits and other liabilities	-	73,083	-	549	73,632	
Total current liabilities	2,361	99,358	230	7,180	109,129	
Noncurrent liabilities:						
Accrued vacation and sick leave pay	413	-	-	1,146	1,559	
Accrued workers' compensation	-	-	-	718	718	
Other postemployment benefits obligation	2,837	-	-	10,069	12,906	
Bonds, loans, capital leases, and other payables	-	264,169	162	657	264,988	
Total noncurrent liabilities	3,250	264,169	162	12,590	280,171	
Total liabilities	5,611	363,527	392	19,770	389,300	
Net Assets						
Invested in capital assets, net of related debt	488	-	144	4,241	4,873	
Unrestricted (deficit)	(3,031)	-	474	7,291	4,734	
Total net assets (deficit)	$ (2,543)	$ -	$ 618	$ 11,532	$ 9,607	

(1) Intra-entity due to and due from eliminated for presentation in the Statement of Net Assets - Proprietary Funds on page 33.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds

Year ended June 30, 2011

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Operating revenues:					
Charges for services	$ 24,647	$ -	$ 6,172	$ 70,579	$ 101,398
Operating expenses:					
Personal services	12,176	-	1,318	28,688	42,182
Contractual services	1,862	-	3,319	25,942	31,123
Materials and supplies	10,082	-	271	3,567	13,920
Depreciation and amortization	322	375	167	1,106	1,970
General and administrative	126	-	1	271	398
Services provided by other departments	1,348	-	461	3,968	5,777
Other	57	-	487	4,372	4,916
Total operating expenses	25,973	375	6,024	67,914	100,286
Operating income (loss)	(1,326)	(375)	148	2,665	1,112
Nonoperating revenues (expenses):					
Interest and investment income	-	6,374	-	108	6,482
Interest expense	(57)	(5,999)	(3)	-	(6,059)
Total nonoperating revenues (expenses)	(57)	375	(3)	108	423
Income (loss) before transfers	(1,383)	-	145	2,773	1,535
Transfers in	787	-	3	228	1,018
Transfers out	-	-	-	(459)	(459)
Change in net assets	(596)	-	148	2,542	2,094
Total net assets (deficit) - beginning	(1,947)	-	470	8,990	7,513
Total net assets (deficit) - ending	$ (2,543)	$ -	$ 618	$ 11,532	$ 9,607

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Cash Flows – Internal Service Funds

Year ended June 30, 2011

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers	$ 24,579	$ 20,585	$ 6,204	$ 70,747	$ 122,115
Cash paid to employees for services	(11,601)	-	(1,315)	(27,166)	(40,082)
Cash paid to suppliers for goods and services	(13,411)	(22,685)	(4,769)	(43,218)	(84,083)
Net cash provided by (used in) operating activities	(433)	(2,100)	120	363	(2,050)
Cash flows from noncapital financing activities:					
Transfers in	787	-	3	228	1,018
Transfers out	-	-	-	(459)	(459)
Net cash provided by (used in) noncapital financing activities	787	-	3	(231)	559
Cash flows from capital and related financing activities:					
Bond sale proceeds	-	38,351	-	-	38,351
Acquisition of capital assets	(242)	-	-	(676)	(918)
Retirement of capital lease obligation	-	(15,095)	(185)	(314)	(15,594)
Refunding of long-term debt	-	(26,835)	-	-	(26,835)
Bond issue costs paid	-	(616)	-	-	(616)
Interest paid on long-term debt	-	(6,171)	-	-	(6,171)
Other capital financing increases	-	426	-	-	426
Other capital financing decreases	-	(6)	-	-	(6)
Net cash (used in) capital financing activities	(242)	(9,946)	(185)	(990)	(11,363)
Cash flows from investing activities:					
Purchases of investments with trustees	-	(43,199)	-	-	(43,199)
Proceeds from sale of investments with trustees	-	47,289	-	-	47,289
Interest income received	-	2	-	108	110
Other investing activities	(57)	-	(3)	-	(60)
Net cash provided by (used in) investing activities	(57)	4,092	(3)	108	4,140
Increase (decrease) in cash and cash equivalents	55	(7,954)	(65)	(750)	(8,714)
Cash and cash equivalents - beginning of year	2,391	61,581	581	26,367	90,920
Cash and cash equivalents - end of year	$ 2,446	$ 53,627	$ 516	$ 25,617	$ 82,206
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (1,326)	$ (375)	$ 148	$ 2,665	$ 1,112
Adjustments for non-cash activities:					
Depreciation and amortization	322	375	167	1,106	1,970
Changes in assets/liabilities:					
Receivables, net	(67)	15,095	32	362	15,422
Accounts payable	96	-	(229)	(5,026)	(5,159)
Accrued payroll	10	-	2	46	58
Accrued vacation and sick leave pay	(67)	-	-	(95)	(162)
Accrued workers' compensation	-	-	-	(90)	(90)
Other postemployment benefits obligation	632	-	-	1,660	2,292
Due to other funds	(33)	-	-	(71)	(104)
Deferred credits and other liabilities	-	(17,195)	-	(194)	(17,389)
Total adjustments	893	(1,725)	(28)	(2,302)	(3,162)
Net cash provided by (used in) operating activities	$ (433)	$ (2,100)	$ 120	$ 363	$ (2,050)
Reconciliation of cash and cash equivalents to the combining statement of net assets:					
Deposits and investments with City Treasury:					
Unrestricted	$ 2,446	$ 320	$ 516	$ 25,617	$ 28,899
Deposits and investments outside City Treasury:					
Restricted	-	77,505	-	-	77,505
Total deposits and investments	2,446	77,825	516	25,617	106,404
Less: Investments outside of City Treasury not meeting the definition of cash equivalents	-	(24,198)	-	-	(24,198)
Cash and cash equivalents at end of year on combining statement of cash flows	$ 2,446	$ 53,627	$ 516	$ 25,617	$ 82,206
Non-cash capital and related financing activities:					
Acquisition of capital assets on accounts payable and capital lease	$ -	$ 6,960	$ -	$ 1,284	$ 8,244

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 Net Assets – Fiduciary Funds
Pension and Other Employee Trust Funds
June 30, 2011
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post-employment Benefit Trust fund	
	Employees' Retirement System	Health Service System	Retiree Health Care	Total
ASSETS				
Deposits and investments with City Treasury	$ 5,087	$ 73,311	$ 8,174	$ 86,572
Deposits and investments outside City Treasury:				
Cash and deposits	38,894	-	-	38,894
Short term investments	726,811	-	-	726,811
Alternative investments	1,977,187	-	-	1,977,187
Debt securities	4,268,998	-	-	4,268,998
Equity securities	7,366,821	-	-	7,366,821
Real estate	1,266,863	-	-	1,266,863
Foreign currency contracts, net	(16,046)	-	-	(16,046)
Receivables:				
Employer and employee contributions	25,039	19,789	393	45,221
Brokers, general partners and others	60,566	-	-	60,566
Interest and other	39,104	10,017	-	49,121
Invested in securities lending collateral	892,579	-	-	892,579
Total assets	16,651,903	103,117	8,567	16,763,587
Liabilities				
Accounts payable	15,063	26,035	-	41,098
Estimated claims payable	-	8,706	-	8,706
Payable to brokers	126,903	-	-	126,903
Deferred Retirement Option Program liabilities	17,641	-	-	17,641
Payable to borrowers of securities	893,457	-	-	893,457
Deferred credits and other liabilities	-	40,890	5	40,895
Total liabilities	1,053,064	75,631	5	1,128,700
Net Assets				
Held in trust for pension benefits and other purposes	$ 15,598,839	$ 27,486	$ 8,562	$ 15,634,887

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Fiduciary Net Assets – Fiduciary Funds
Pension and Other Employee Trust Funds

Year ended June 30, 2011
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post-employment Benefit Trust fund	
	Employees' Retirement System	Health Service System	Retiree Health Care	Total
Additions:				
Employees' contributions	$ 181,755	$ 120,888	$ 5,636	$ 308,279
Employer contributions	308,823	583,341	2,832	894,996
Total contributions	490,578	704,229	8,468	1,203,275
Investment income/loss:				
Interest	208,400	474	94	208,968
Dividends	159,671	-	-	159,671
Net appreciation in fair value of investments	2,557,950	(85)	-	2,557,865
Securities lending income	5,697	-	-	5,697
Total investment income	2,931,718	389	94	2,932,201
Less investment expenses:				
Securities lending borrower rebates and expenses	436	-	-	436
Other investment expenses	(44,579)	-	-	(44,579)
Total investment expenses	(44,143)	-	-	(44,143)
Total additions, net	3,378,153	704,618	8,562	4,091,333
Deductions:				
Benefit payments	889,744	691,358	-	1,581,102
Refunds of contributions	11,548	-	-	11,548
Administrative expenses	14,808	-	-	14,808
Total deductions	916,100	691,358	-	1,607,458
Change in net assets	2,462,053	13,260	8,562	2,483,875
Net assets at beginning of year	13,136,786	14,226	-	13,151,012
Net assets at end of year	$ 15,598,839	$ 27,486	$ 8,562	$ 15,634,887

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2011
(In Thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Assistance Program Fund				
ASSETS				
Deposits and investments with City Treasury	$ 28,409	$ 7,625	$ 7,034	$ 29,000
Receivables:				
Interest and other	18	303	321	-
Total assets	$ 28,427	$ 7,928	$ 7,355	$ 29,000
LIABILITIES				
Accounts payable	$ 94	$ 1,692	$ 1,665	$ 121
Agency obligations	28,333	8,509	7,963	28,879
Total liabilities	$ 28,427	$ 10,201	$ 9,628	$ 29,000
Deposits Fund				
ASSETS				
Deposits and investments with City Treasury	$ 17,875	$ 42,328	$ 44,131	$ 16,072
Receivables:				
Interest and other	46	61	60	47
Deferred charges and other assets	28,424	5,975	2,709	31,690
Total assets	$ 46,345	$ 48,364	$ 46,900	$ 47,809
LIABILITIES				
Accounts payable	$ 951	$ 18,640	$ 18,211	$ 1,380
Agency obligations	45,394	38,802	37,767	46,429
Total liabilities	$ 46,345	$ 57,442	$ 55,978	$ 47,809
Payroll Deduction Fund				
ASSETS				
Deposits and investments with City Treasury	$ 12,194	$ 1,864	$ -	$ 14,058
Receivables:				
Employer and employee contributions	51,604	1,112	-	52,716
Total assets	$ 63,798	$ 2,976	$ -	$ 66,774
LIABILITIES				
Accounts payable	$ 49,722	$ 9,751	$ -	$ 59,473
Agency obligations	14,076	1,694	8,469	7,301
Total liabilities	$ 63,798	$ 11,445	$ 8,469	$ 66,774

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities – Agency Funds (continued)
Year ended June 30, 2011
(In Thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
State Revenue Collection Fund				
ASSETS				
Deposits and investments with City Treasury	$ 867	$ 3,746	$ 3,862	$ 751
Total assets	$ 867	$ 3,746	$ 3,862	$ 751
LIABILITIES				
Accounts payable	$ 286	$ 3,772	$ 3,840	$ 218
Agency obligations	581	3,746	3,794	533
Total liabilities	$ 867	$ 7,518	$ 7,634	$ 751
Tax Collection Fund				
ASSETS				
Deposits and investments with City Treasury	$ -	$ 2,860,130	$ 2,841,203	$ 18,927
Deposits and investments outside City Treasury	-	402	-	402
Receivables:				
Interest and other	194,745	151,598	194,746	151,597
Total assets	$ 194,745	$ 3,012,130	$ 3,035,949	$ 170,926
LIABILITIES				
Accounts payable	$ 26,072	$ 59,380	$ 84,618	$ 834
Agency obligations	168,673	2,064,244	2,062,825	170,092
Total liabilities	$ 194,745	$ 2,123,624	$ 2,147,443	$ 170,926
Transit Fund				
ASSETS				
Deposits and investments with City Treasury	$ 1,734	$ 49,974	$ 49,241	$ 2,467
Receivables:				
Interest and other	-	26	26	-
Total assets	$ 1,734	$ 50,000	$ 49,267	$ 2,467
LIABILITIES				
Accounts payable	$ 260	$ 15,750	$ 15,693	$ 317
Agency obligations	1,474	35,640	34,964	2,150
Total liabilities	$ 1,734	$ 51,390	$ 50,657	$ 2,467

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities – Agency Funds (continued)
Year ended June 30, 2011
(In Thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Other Agency Funds				
ASSETS				
Deposits and investments with City Treasury	$ 15,083	$ 192,960	$ 185,573	$ 22,470
Receivables:				
Interest and other	531	435	567	399
Total assets	$ 15,614	$ 193,395	$ 186,140	$ 22,869
LIABILITIES				
Accounts payable	$ 845	$ 172,676	$ 160,106	$ 13,415
Agency obligations	14,769	175,183	180,498	9,454
Total liabilities	$ 15,614	$ 347,859	$ 340,604	$ 22,869
Total Agency Funds				
ASSETS				
Deposits and investments with City Treasury	$ 76,162	$ 3,158,627	$ 3,131,044	$ 103,745
Deposits and investments outside City Treasury	-	402	-	402
Receivables:				
Employer and employee contributions	51,604	1,112	-	52,716
Interest and other	195,340	152,423	195,720	152,043
Deferred charges and other assets	28,424	5,975	2,709	31,690
Total assets	$ 351,530	$ 3,318,539	$ 3,329,473	$ 340,596
LIABILITIES				
Accounts payable	$ 78,230	$ 281,661	$ 284,133	$ 75,758
Agency obligations	273,300	2,327,818	2,336,280	264,838
Total liabilities	$ 351,530	$ 2,609,479	$ 2,620,413	$ 340,596

Statistical Section

Photo by Joseph Driste

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

Net Assets by Component – Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2002 (1)	2003 (2)	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	$ 887,667	$ 983,834	$ 1,096,834	$ 1,159,696	$ 1,438,010	$ 1,454,614	$ 1,436,842	$ 1,725,203	$ 1,833,733	$ 1,910,341
Restricted for:										
Cash and emergencies requirements by Charter (3)	93,293	59,337	55,139	-	-	-	-	-	-	-
Reserve for rainy day	-	-	-	48,139	121,976	133,622	117,792	98,297	39,582	33,439
Debt service	12,135	7,795	9,996	46,575	53,076	28,310	23,130	30,724	34,308	36,805
Capital projects	115,052	86,912	48,313	25,101	10,589	19,128	-	-	63,323	82,315
Community development	135,308	158,591	163,875	208,532	71,207	63,043	95,136	64,031	66,251	59,763
Transportation Authority activities	142,740	149,070	135,466	75,282	23,727	10,390	1,693	2,515	1,966	1,386
Building inspection programs	20,601	24,353	25,284	22,066	20,691	17,213	16,475	13,959	21,837	32,112
Children and families	41,668	40,444	33,655	40,090	42,849	45,531	43,666	46,273	40,886	45,827
Other purposes	157,082	68,436	63,326	76,068	84,531	113,606	112,219	116,032	113,917	155,152
Unrestricted (deficit)	(130,525)	(265,950)	(325,147)	(200,467)	(72,038)	(14,446)	(261,897)	(791,831)	(1,062,818)	(1,046,861)
Total governmental activities net assets	$ 1,475,021	$ 1,312,822	$ 1,306,741	$ 1,501,082	$ 1,794,618	$ 1,871,011	$ 1,585,056	$ 1,305,203	$ 1,152,985	$ 1,310,279
Business-type activities										
Invested in capital assets, net of related debt	$ 3,115,392	$ 3,273,449	$ 3,416,154	$ 3,391,450	$ 3,438,397	$ 3,795,006	$ 3,935,008	$ 4,204,644	$ 4,277,799	$ 4,481,404
Restricted for:										
Debt service	334,747	273,242	242,537	202,006	256,055	249,656	282,187	58,716	71,128	62,421
Capital projects	141,154	147,693	128,387	161,231	148,957	75,771	111,463	140,932	188,580	161,580
Other purposes	70,118	61,616	61,241	66,753	32,354	23,709	28,254	31,459	18,854	18,741
Unrestricted	568,599	542,813	464,658	446,039	536,670	567,122	491,437	324,395	259,533	268,328
Total business-type activities net assets	$ 4,230,010	$ 4,298,813	$ 4,312,977	$ 4,267,479	$ 4,412,433	$ 4,711,264	$ 4,848,349	$ 4,760,146	$ 4,815,894	$ 4,992,474
Primary government										
Invested in capital assets, net of related debt	$ 4,003,059	$ 4,257,283	$ 4,512,988	$ 4,551,146	$ 4,876,407	$ 5,249,620	$ 5,371,850	$ 5,630,550	$ 5,735,844	$ 5,993,892
Restricted for:										
Cash and emergencies requirements by Charter	93,293	59,337	55,139	-	-	-	-	-	-	-
Reserve for rainy day	-	-	-	48,139	121,976	133,622	117,792	98,297	39,582	33,439
Debt service	346,882	281,037	252,533	248,581	309,131	277,966	305,317	89,440	105,436	99,226
Capital projects	256,206	234,605	176,700	186,332	159,546	94,899	111,463	140,932	239,209	223,694
Community development	135,308	158,591	163,875	208,532	71,207	63,043	95,136	64,031	66,251	59,763
Transportation Authority activities	142,740	149,070	135,466	75,282	23,727	10,390	1,693	2,515	1,966	1,386
Building inspection programs	20,601	24,353	25,284	22,066	20,691	17,213	16,475	13,959	21,837	32,112
Children and families	41,668	40,444	33,655	40,090	42,849	45,531	43,666	46,273	40,886	45,827
Other purposes	227,200	130,052	124,567	142,821	116,885	137,315	140,473	147,491	132,771	173,893
Unrestricted	438,074	276,863	139,511	245,572	464,632	552,676	229,540	(168,139)	(414,903)	(360,479)
Total primary activities net assets	$ 5,705,031	$ 5,611,635	$ 5,619,718	$ 5,768,561	$ 6,207,051	$ 6,582,275	$ 6,433,405	$ 6,065,349	$ 5,968,879	$ 6,302,753

Notes:

(1) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital projects funds.

(2) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business-type activities.

(3) The City's Charter was amended in November 2003 and replaced the reserve for cash and emergencies requirements by Charter with the reserve for rainy day.

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

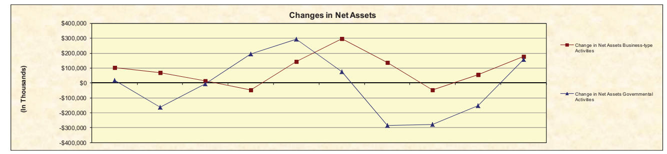
Changes in Net Assets – Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year 2002 (1)	2003 (2)	2004	2005	2006	2007	2008	2009 (3)	2010	2011
Expenses										
Governmental activities:										
Public protection	$ 717,552	$ 778,710	$ 727,580	$ 738,688	$ 780,642	$ 861,689	$ 1,020,457	$ 1,109,311	$ 1,089,309	$ 1,099,791
Public works, transportation and commerce	317,778	287,910	169,179	213,335	272,397	309,095	342,411	254,955	225,589	239,230
Human welfare and neighborhood development	586,188	626,306	651,250	619,753	858,396	751,034	848,195	908,449	933,039	885,194
Community health	493,856	542,480	517,066	503,259	478,844	516,321	567,410	608,733	599,741	613,883
Culture and recreation	246,620	242,398	232,187	256,336	244,423	290,547	347,433	319,994	310,063	318,083
General administration and finance	156,770	186,144	183,258	152,850	167,490	194,653	250,295	238,601	221,471	224,027
General City responsibilities	55,551	53,026	73,530	59,024	49,054	67,948	80,887	72,634	80,246	84,444
Unallocated Interest on long-term debt	77,335	77,827	86,131	89,690	94,923	94,060	97,694	93,387	102,635	110,142
Total governmental activities expenses	2,651,650	2,794,801	2,640,181	2,632,935	2,946,169	3,085,347	3,554,782	3,606,064	3,562,093	3,574,794
Business-type activities:										
Airport	599,335	641,036	618,301	628,445	633,102	624,832	651,581	683,335	662,347	690,875
Transportation	528,725	628,180	660,650	711,733	695,593	726,053	830,411	863,218	905,694	905,218
Port	58,694	61,074	61,185	54,897	55,329	61,937	67,495	71,778	73,573	68,661
Water	165,362	186,579	206,211	197,848	213,584	236,824	252,802	277,162	325,242	362,802
Power	113,754	95,427	121,629	116,683	119,146	95,020	109,436	96,228	119,109	119,282
Hospitals	525,045	561,673	562,188	598,160	646,149	714,349	812,399	820,236	842,488	885,294
Sewer	159,896	153,845	150,586	160,650	160,701	168,954	182,712	184,977	201,403	201,629
Garages	32,274	-	-	-	-	-	-	-	-	-
Market	-	894	949	1,055	1,035	1,061	1,052	1,144	1,119	1,152
Total business-type activities expenses	2,183,085	2,328,708	2,381,699	2,469,471	2,524,639	2,629,030	2,907,888	2,998,078	3,130,975	3,234,913
Total primary government expenses	$ 4,834,735	$ 5,123,509	$ 5,021,880	$ 5,102,406	$ 5,470,808	$ 5,714,377	$ 6,462,670	$ 6,604,142	$ 6,693,068	$ 6,809,707
Program Revenues										
Governmental activities:										
Charges for services:										
Public protection	$ 42,254	$ 44,291	$ 40,349	$ 54,805	$ 51,874	$ 58,979	$ 66,343	$ 90,044	$ 58,980	$ 62,105
Public works, transportation and commerce	102,576	84,057	83,176	95,081	113,861	111,364	115,939	72,287	71,288	101,846
Human welfare and neighborhood development	20,292	26,349	23,931	21,375	29,181	56,367	108,956	33,988	25,813	56,628
Community health	36,176	41,906	38,933	44,850	52,183	50,266	52,455	60,708	65,756	64,419
Culture and recreation	47,116	44,629	53,369	64,614	64,720	65,407	70,576	74,477	81,855	76,528
General administration and finance	53,434	36,525	43,585	41,348	55,799	10,502	20,376	33,530	35,190	37,601
General City responsibilities	47,050	41,123	59,609	28,956	31,647	29,604	26,980	27,377	37,806	29,316
Operating Grants and Contributions	781,767	809,670	823,784	834,607	859,919	927,256	926,089	909,695	997,091	1,040,116
Capital Grants and Contributions	58,394	46,029	39,209	55,435	248,329	50,479	36,079	44,048	50,349	57,719
Total Governmental activities program revenues	1,189,059	1,174,579	1,205,945	1,241,071	1,507,513	1,360,224	1,423,793	1,346,154	1,424,128	1,526,278
Business-type activities:										
Charges for services:										
Airport	465,176	500,116	486,132	477,314	455,342	503,914	535,771	551,283	578,041	607,323
Transportation	107,455	155,656	186,390	187,913	210,692	222,115	257,341	257,083	311,311	334,140
Port	50,494	54,467	56,702	57,519	58,588	61,193	64,498	66,438	66,579	72,266
Water	147,216	170,253	168,260	184,835	201,833	216,531	234,216	265,781	265,218	288,395
Power	125,777	132,190	124,474	132,303	149,500	108,224	119,855	115,274	128,590	140,035
Hospitals	412,874	429,128	453,607	493,596	472,327	515,092	558,167	568,210	606,276	726,522
Sewer	134,595	134,745	137,806	148,888	164,703	193,411	202,549	208,654	209,843	229,216
Garages	35,645	-	-	-	-	-	-	-	-	-
Market	-	1,296	1,413	1,462	1,503	1,567	1,564	1,546	1,681	1,655
Operating Grants and Contributions	282,059	164,257	169,767	180,807	188,672	183,301	181,725	186,805	182,572	204,153
Capital Grants and Contributions	251,747	204,751	94,818	93,724	110,403	150,080	152,511	107,118	180,253	213,364
Total business-type activities program revenues	2,013,038	1,946,859	1,879,369	1,958,361	2,013,563	2,155,428	2,308,197	2,328,192	2,530,364	2,817,069
Total primary government program revenues	$ 3,202,097	$ 3,121,438	$ 3,085,314	$ 3,199,432	$ 3,521,076	$ 3,515,652	$ 3,731,990	$ 3,674,346	$ 3,954,492	$ 4,343,347

CITY AND COUNTY OF SAN FRANCISCO

Changes in Net Assets – Last Ten Fiscal Years (continued)
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year 2002 (1)	2003 (2)	2004	2005	2006	2007	2008	2009 (3)	2010	2011
Net (expenses)/revenue										
Governmental activities	$ (1,462,591)	$ (1,620,222)	$ (1,434,236)	$ (1,391,864)	$ (1,438,656)	$ (1,725,123)	$ (2,130,989)	$ (2,259,910)	$ (2,137,965)	$ (2,048,516)
Business-type activities	(170,047)	(381,849)	(502,330)	(511,110)	(511,076)	(473,602)	(599,691)	(669,886)	(600,611)	(417,844)
Total primary government net expenses	$ (1,632,638)	$ (2,002,071)	$ (1,936,566)	$ (1,902,974)	$ (1,949,732)	$ (2,198,725)	$ (2,730,680)	$ (2,929,796)	$ (2,738,576)	$ (2,466,360)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	$ 697,703	$ 686,858	$ 723,786	$ 920,314	$ 1,016,220	$ 1,126,992	$ 1,189,511	$ 1,302,071	$ 1,345,040	$ 1,340,590
Business taxes	274,848	276,651	264,832	292,763	323,153	337,592	396,025	388,653	354,019	391,779
Sales and use tax	174,154	172,396	182,567	161,451	175,138	184,723	190,967	172,794	164,769	181,474
Hotel room tax	119,658	122,853	142,437	151,993	173,923	194,290	219,089	214,460	186,849	209,962
Utility users tax	70,779	71,378	70,938	72,574	76,444	78,729	86,964	89,801	94,537	91,683
Other local taxes	79,999	84,050	113,513	152,067	170,159	211,082	155,951	126,017	194,070	251,285
Interest and investment income	70,597	26,332	11,856	29,490	71,129	86,233	57,929	35,434	27,877	17,645
Other	115,943	196,496	170,163	47,153	56,022	33,046	25,939	44,086	54,410	58,524
Transfers - internal activities of primary government	(124,399)	(178,991)	(251,937)	(241,600)	(329,996)	(451,171)	(477,341)	(393,259)	(435,824)	(337,132)
Total governmental activities	1,479,282	1,458,023	1,428,155	1,586,205	1,732,192	1,801,516	1,845,034	1,980,057	1,985,747	2,205,810
Business-type activities:										
Interest and investment income	63,530	50,215	17,620	33,268	53,161	85,692	67,217	49,691	44,471	42,299
Other	85,425	188,446	237,692	237,102	272,873	218,184	233,244	181,759	176,064	214,993
Special item	-	33,000	9,245	(46,358)	-	17,386	(41,026)	-	-	-
Transfers - internal activities of primary government	124,399	178,991	251,937	241,600	329,996	451,171	477,341	393,259	435,824	337,132
Total business-type activities	273,354	450,652	516,494	465,612	656,030	772,433	736,776	624,709	656,359	594,424
Total primary government	$ 1,752,636	$ 1,908,675	$ 1,944,649	$ 2,051,817	$ 2,388,222	$ 2,573,949	$ 2,581,810	$ 2,604,766	$ 2,642,106	$ 2,800,234
Change in Net Assets										
Governmental activities	$ 16,691	$ (162,199)	$ (6,081)	$ 194,341	$ 293,536	$ 76,393	$ (285,955)	$ (279,853)	$ (152,218)	$ 157,294
Business-type activities	103,307	68,803	14,164	(45,498)	144,954	298,831	137,085	(45,177)	55,748	176,580
Total primary government	$ 119,998	$ (93,396)	$ 8,083	$ 148,843	$ 438,490	$ 375,224	$ (148,870)	$ (325,030)	$ (96,470)	$ 333,874



Notes:

(1) Beginning fiscal year 2001-02, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.

(2) In fiscal year 2002-03, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business-type activities.

(3) In fiscal year 2008-09, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

CITY AND COUNTY OF SAN FRANCISCO

Fund Balances of Governmental Funds – Last Ten Fiscal Years

(Modified accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2002 (1)	2003 (2)	2004 (3)	2005	2006	2007	2008	2009 (4)	2010 (5)	2011 (5)
General Fund										
Reserved by charter for cash and emergency requirements	$ 97,491	$ 59,337	$ -	$ -	$ -	$ -	$ -	$ -		
Reserved for rainy day	-	-	55,139	48,139	121,976	133,622	117,792	98,297		
Reserved for assets not available for appropriation	6,406	6,768	7,142	9,031	10,710	12,665	11,358	11,307		
Reserved for encumbrances	52,735	43,195	42,501	57,762	38,159	60,948	63,068	65,902		
Reserved for appropriation carryforward	61,716	26,880	35,754	36,198	124,009	161,127	99,959	91,075		
Reserved for subsequent years' budgets	25,379	15,414	6,242	22,351	27,451	32,062	36,341	6,891		
Unreserved	136,664	44,718	63,657	134,199	138,971	141,037	77,117	28,203		
Total general fund	$ 380,391	$ 196,312	$ 210,435	$ 307,680	$ 461,276	$ 541,461	$ 405,635	$ 301,675		
All other governmental funds										
Reserved for assets not available for appropriation	$ 41,233	$ 25,906	$ 17,443	$ 17,683	$ 20,202	$ 19,413	$ 19,814	$ 19,781		
Reserved for debt service	36,548	33,866	18,800	45,540	57,429	51,299	47,334	75,886		
Reserved for encumbrances	340,591	278,656	142,784	97,920	423,120	288,948	193,461	167,169		
Reserved for appropriation carryforward	285,508	227,818	287,690	549,571	294,340	292,234	314,051	501,006		
Reserved for subsequent years' budgets	18,604	8,004	8,005	8,004	8,004	8,004	13,504	11,245		
Unreserved reported in:										
Special revenue funds	97,167	67,988	19,043	30,809	35,243	47,445	(27,758)	(69,468)		
Capital projects funds	44,487	40,561	10,048	7,193	13,662	(373)	2,126	(26,153)		
Permanent fund	4,433	4,227	3,326	3,856	2,308	3,508	3,502	3,871		
Total other governmental funds	$ 868,571	$ 687,026	$ 507,139	$ 760,576	$ 854,308	$ 710,478	$ 566,034	$ 683,337		
General Fund										
Nonspendable									$ 14,874	$ 20,501
Restricted									39,582	33,439
Committed									4,677	33,431
Assigned									132,645	240,635
Total general fund									$ 191,778	$ 328,006
All other governmental funds										
Nonspendable									$ 192	$ 192
Restricted									861,188	831,269
Assigned									27,493	27,622
Unassigned									(81,566)	(59,523)
Total other governmental funds									$ 807,307	$ 799,560

Notes:

(1) Beginning fiscal year 2001-02, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.

(2) In fiscal year 2002-03, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business-type activities.

(3) The City's Charter was amended in November 2003 and replaced the requirements for a cash requirement reserve and an emergency reserve with the rainy day reserve.

(4) The change in reserved and unreserved fund balance in fiscal year 2009-10 is explained in Management's Discussion and Analysis.

(5) The City implemented GASB Statement No. 54 in fiscal year 2010-2011 and restated the presentation for fiscal year 2010.

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years
(Modified accrual basis of accounting)
(In Thousands)

	Fiscal Year 2002 [1]	2003 [2]	2004	2005 [3]	2006	2007	2008 [4]	2009 [4]	2010	2011
Revenues:										
Property taxes	$ 687,150	$ 686,154	$ 721,437	$ 918,645	$ 1,008,151	$ 1,107,864	$ 1,179,688	$ 1,272,385	$ 1,331,957	$ 1,380,356
Business taxes	274,848	276,651	264,832	292,763	323,153	337,592	396,025	388,653	354,019	391,779
Sales and use tax	174,154	172,396	182,567	161,451	175,138	184,723	190,967	172,794	164,769	181,474
Hotel room tax	119,658	122,853	142,437	151,993	173,923	194,290	219,089	214,460	186,849	209,962
Utility users tax	70,779	71,378	70,938	72,574	76,444	78,729	86,964	89,801	94,537	91,683
Other local taxes	79,999	84,050	113,513	152,067	170,159	211,082	155,951	126,017	194,070	251,285
Licenses, permits and franchises	25,762	21,648	23,788	25,942	27,662	27,428	30,943	32,153	33,625	35,977
Fines, forfeitures and penalties	12,045	9,000	25,183	12,509	14,449	8,871	13,217	9,694	22,255	11,770
Interest and investment income	65,597	25,570	11,630	28,268	70,046	83,846	54,256	33,547	27,038	17,041
Rent and concessions	63,623	55,369	58,979	49,450	52,426	52,493	70,160	77,014	78,527	78,995
Intergovernmental:										
Federal	307,943	320,254	344,155	348,764	350,985	381,688	328,315	362,582	448,890	484,704
State	608,804	690,271	630,953	522,937	565,989	582,666	561,095	575,774	552,641	581,119
Other	33,924	24,623	18,259	25,783	23,500	15,689	15,907	15,186	7,397	32,017
Charges for services	225,547	221,883	217,647	241,750	263,994	273,057	288,689	280,407	243,128	258,015
Other	26,405	27,092	57,144	57,487	61,565	44,084	81,321	30,318	51,023	97,194
Total revenues	2,776,238	2,809,192	2,883,462	3,062,383	3,357,584	3,584,102	3,672,587	3,680,785	3,790,725	4,103,371
Expenditures										
Public protection	690,050	734,811	706,758	738,494	787,398	865,556	1,018,212	999,518	1,021,505	1,031,181
Public works, transportation and commerce	296,411	267,034	165,555	195,896	274,669	280,907	236,569	248,161	243,454	226,920
Human welfare and neighborhood development	613,133	670,670	662,948	644,899	697,102	740,171	828,903	886,686	918,301	870,091
Community health	484,826	524,771	512,914	501,050	471,741	509,844	543,046	578,828	581,392	595,222
Culture and recreation	238,326	252,477	273,163	239,022	256,979	286,135	309,612	313,442	303,134	310,392
General administration and finance	164,745	163,748	153,709	135,118	161,195	167,505	215,054	190,680	187,221	191,641
General City responsibilities	54,628	53,323	74,623	62,799	53,763	57,532	71,205	73,147	86,498	85,463
Debt service:										
Principal retirement	69,536	100,902	78,831	80,306	86,970	98,169	106,580	126,501	154,051	148,231
Interest and fiscal charges	68,111	64,243	61,886	61,524	75,975	71,266	75,844	74,466	89,946	101,716
Bond issuance costs	2,987	1,646	1,350	4,842	1,933	3,683	1,090	4,746	2,145	2,161
Capital outlay	276,662	248,928	165,872	130,224	153,493	283,370	133,155	152,473	182,448	214,817
Total expenditures	2,959,415	3,082,553	2,857,609	2,794,174	3,021,218	3,364,138	3,539,270	3,648,648	3,770,095	3,777,835
Excess (deficiency) of revenues over expenditures	(183,177)	(273,361)	25,853	268,209	336,366	219,964	133,317	32,137	20,630	325,536

CITY AND COUNTY OF SAN FRANCISCO

Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years (Continued)
(Modified accrual basis of accounting)
(In Thousands)

	Fiscal Year 2002 [1]	2003 [2]	2004	2005 [3]	2006	2007	2008 [4]	2009 [4]	2010	2011
Other financing sources (uses):										
Transfer in	267,107	226,520	204,660	271,553	224,523	217,298	244,770	352,693	302,790	304,682
Transfer out	(536,680)	(423,936)	(456,852)	(513,423)	(555,155)	(668,847)	(724,172)	(746,178)	(740,349)	(630,625)
Issuance of bonds and loans:										
Face value of bonds issued	249,995	71,310	116,645	346,225	219,120	312,955	310,155	456,935	393,010	232,965
Face value of loans issued	3,095	323	2,156	500	5,359	141	1,829	-	599	1,813
Premium on issuance of bonds	-	-	1,411	11,989	10,233	3,521	13,071	12,875	16,647	16,799
Discount on issuance of bonds	(238)	-	-	-	-	(1,856)	-	-	-	-
Payment to refunded bond escrow agent	(136,230)	-	(65,802)	(38,913)	-	(159,610)	(283,494)	(120,000)	-	(142,458)
Other financing sources - capital leases	92,373	33,520	6,165	4,542	6,882	12,789	24,254	24,881	20,746	19,769
Total other financing sources (uses)	(60,578)	(92,263)	(191,617)	82,473	(89,038)	(283,609)	(413,587)	(18,794)	(6,557)	(197,055)
Net change in fund balances	$ (243,755)	$ (365,624)	$ (165,764)	$ 350,682	$ 247,328	$ (63,645)	$ (280,270)	$ 13,343	$ 14,073	$ 128,481
Debt service as a percentage of noncapital expenditures	5.12%	5.84%	5.25%	5.31%	5.71%	5.51%	5.34%	5.79%	6.90%	7.07%
Debt service as a percentage of total expenditures	4.65%	5.36%	4.92%	5.08%	5.39%	5.04%	5.15%	5.51%	6.47%	6.62%

Notes:

(1) Beginning fiscal year 2001-02, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.

(2) For General Obligation Bonds authorized and issued prior to the passage of Proposition 39 in 2003, transfer of the proceeds to San Francisco Community College District and San Francisco Unified School District was included as Human Welfare & Neighborhood Development expenditures.

(3) Prior to fiscal year 2004-05, transfers of base rental payments from various Certificate of Participation Special Revenue Funds which provide for debt service payments were recorded as current expenditures in paying departments/funds and rental income in debt service funds. Beginning fiscal year 2004-05, they were recorded as transfers.

(4) In fiscal year 2008-09, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

CITY AND COUNTY OF SAN FRANCISCO

Assessed Value of Taxable Property (1)(3)(4) – Last Ten Fiscal Years
(In Thousands)

Fiscal Year (4)	Assessed Value: Real Property	Assessed Value: Personal Property	Assessed Value: Total	Exemptions (2): Non-reimbursable	Exemptions (2): Reimbursable	Exemptions (2): Redevelopment Tax Increments	Total Taxable Assessed Value	Total Direct Tax Rate
2002…….	$ 88,866,299	$ 4,686,951	$ 93,553,250	$ 3,129,961	$ 665,145	$ 5,291,437	$ 84,466,707	1.00%
2003…….	93,467,166	4,639,579	98,106,745	3,407,736	671,640	3,777,328	90,250,041	1.00%
2004…….	99,878,960	3,848,851	103,727,811	3,706,357	689,558	3,892,143	95,439,753	1.00%
2005…….	106,805,910	3,736,998	110,542,908	4,017,052	678,120	5,199,856	100,647,880	1.00%
2006…….	114,767,252	3,465,752	118,233,004	4,246,112	657,834	6,453,299	106,875,759	1.00%
2007…….	126,074,101	3,524,897	129,598,998	4,617,851	657,144	7,333,916	116,990,087	1.00%
2008…….	136,887,654	3,807,362	140,695,016	5,687,576	652,034	10,134,313	124,221,093	1.00%
2009…….	152,150,004	3,943,357	156,093,361	6,193,368	657,320	8,860,502	140,382,171	1.00%
2010…….	164,449,745	4,093,813	168,543,558	6,751,558	660,435	9,289,538	151,842,027	1.00%
2011…….	162,347,329	4,066,754	166,414,083	6,910,812	663,664	11,540,067	147,299,540	1.00%

Source: Controller, City and County of San Francisco

Notes:

(1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.

(2) Exemptions are summarized as follows:

(a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).

(b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).

(c) Tax increments are allocations made to the 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 Redevelopment Agency.

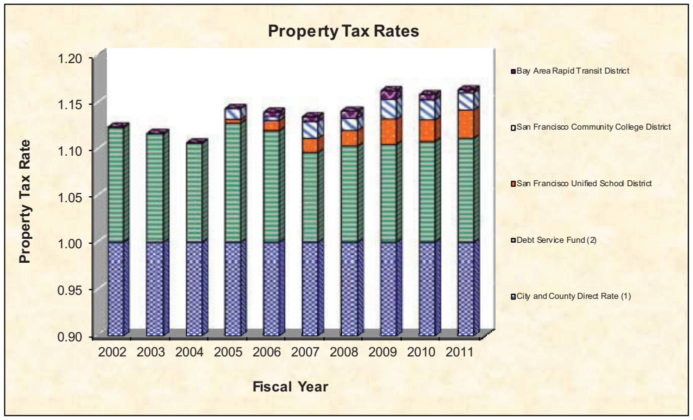
(3) Based on certified assessed values.

(4) Based on year end actual assessed values.

CITY AND COUNTY OF SAN FRANCISCO

Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years
(Rate per $1,000 of Assessed Value)

Fiscal Year	City and County Direct Rate (1)	Overlapping Rates: Debt Service Fund (2)	Overlapping Rates: San Francisco Unified School District	Overlapping Rates: San Francisco Community College District	Overlapping Rates: Bay Area Rapid Transit District	Total
2002	$ 1.00000000	$ 0.12359506	$ 0.00040494	$ -	$ -	$ 1.1240
2003	1.00000000	0.11671113	0.00028887	-	-	1.1170
2004	1.00000000	0.10682335	0.00017665	-	-	1.1070
2005	1.00000000	0.12838968	0.00393518	0.01167514	-	1.1440
2006	1.00000000	0.12012547	0.01092226	0.00415227	0.00480000	1.1400
2007	1.00000000	0.09657879	0.01532351	0.01809770	0.00500000	1.1350
2008	1.00000000	0.10365766	0.01666683	0.01307551	0.00760000	1.1410
2009	1.00000000	0.10532566	0.02737873	0.02129561	0.00900000	1.1630
2010	1.00000000	0.10839903	0.02336031	0.02154066	0.00570000	1.1590
2011	1.00000000	0.11210000	0.03020000	0.01860000	0.00310000	1.1640



Notes:

(1) Proposition 13 allows each county to levy a maximum tax of $1 per $100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.

(2) On June 6, 1978, California voters approved a constitutional amendment to Article XIIIA of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

CITY AND COUNTY OF SAN FRANCISCO

Principal Property Assessees – Current Fiscal Year and Nine Fiscal Years Ago

(Dollar in Thousands)

		Fiscal Year 2011			Fiscal Year 2002		
Assessee	Type of Business	Taxable Assessed Value [1]	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value [2]
HWA 555 Owners LLC	Office, Commercial	$ 904,469	1	0.57%	$ -		-
Paramount Group Real Estate Fund	Office, Commercial	740,958	2	0.47	-		-
Emporium Mall LLC	Retail, Commercial	472,558	3	0.30	-		-
HD333 LLC	Office, Commercial	386,927	4	0.24	-		-
SHC Embarcadero LLC	Office, Commercial	383,331	5	0.24	307,562	6	0.35%
Post-Montgomery Associates	Office, Commercial	372,229	6	0.23	-		-
SF Hilton Inc	Hotel	369,887	7	0.23	-		-
SHR St. Francis LLC	Hotel	361,132	8	0.23	-		-
PPF Off One Maritime Plaza LP	Office, Commercial	353,118	9	0.22	-		-
One Embarcadero Center Venture	Office, Commercial	330,566	10	0.21	-		-
Embarcadero Center Associates	Office, Commercial	-		-	1,330,244	1	1.51
555 California Street Partners	Office, Commercial	-		-	873,194	2	0.99
Pacific Gas & Electric Company	Utilities	-		-	776,849	3	0.88
Pacific Bell	Utilities, Communications	-		-	602,740	4	0.69
YBG Associates LLC	Hotel	-		-	364,753	5	0.42
Knickerbocker Properties	Office	-		-	304,688	7	0.35
China Basin Ballpark Company LLC	Possessory Interest-Stadium	-		-	285,347	8	0.32
ZML One Market Ltd Partnership	Office, Commercial	-		-	275,337	9	0.31
101 California Venture	Office	-		-	260,913	10	0.30
Total		$ 4,675,175		2.94%	$ 5,381,627		6.12%

Source: Assessor, City and County of San Francisco

Notes:

(1) Data for fiscal year 2010-11 updated as of July 1, 2010.

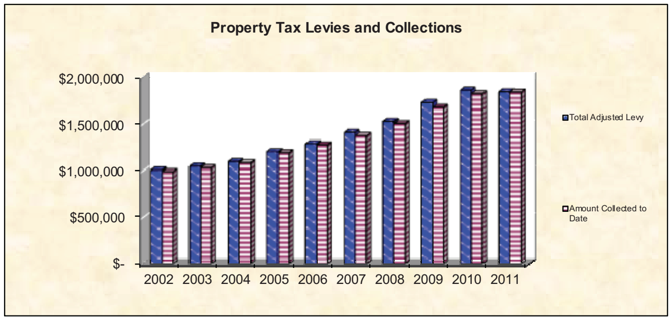
(2) Assessed values for fiscal years 2010-11 and 2001-02 are from the tax rolls of calendar years 2010 and 2011, respectively.

CITY AND COUNTY OF SAN FRANCISCO

Property Tax Levies and Collections [1][2] – Last Ten Fiscal Years

(Dollar In Thousands)

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	Total Adjusted Levy	Amount	Percentage of Original Levy	Collections in Subsequent Years [3]	Amount	Percentage of Adjusted Levy
2002	$1,010,960	$ 985,838	97.52%	$ 7,366	$ 993,204	98.24%
2003	1,051,921	1,028,649	97.79	5,766	1,034,415	98.34
2004	1,100,951	1,079,354	98.04	9,092	1,088,446	98.86
2005	1,208,044	1,179,959	97.68	18,010	1,197,969	99.17
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



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 and San Francisco Redevelopment Agency.

(2) Does not include SB-813 supplemental property taxes.

(3) Collections in subsequent years reflect assessment appeals reduction.

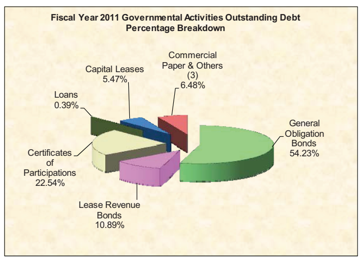
CITY AND COUNTY OF SAN FRANCISCO

Ratios of Outstanding Debt by Type – Last Ten Fiscal Years
(In Thousands, except Per Capita Amounts)

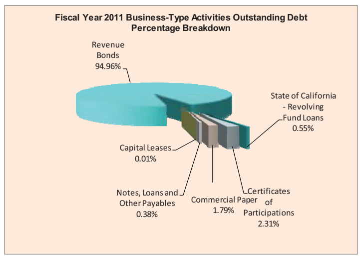
Governmental Activities (1)

Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participations	Loans	Capital Leases	Commercial Paper & Others (3)	Subtotal
2002......	$ 915,122	$ 293,881	$ 255,682	$ 13,007	$ 226,541	$ 54,820	$ 1,759,053
2003......	857,983	252,148	292,702	9,278	212,649	49,470	1,674,230
2004......	843,499	245,826	287,483	9,515	194,815	94,196	1,675,334
2005......	1,097,050	230,738	280,561	7,961	198,703	188,602	2,003,615
2006......	1,252,217	231,497	273,522	12,377	190,279	182,899	2,142,791
2007......	1,172,363	250,095	416,258	11,640	185,736	177,062	2,213,154
2008......	1,120,688	283,469	408,020	12,495	174,149	170,577	2,169,398
2009......	1,193,927	293,326	564,110	11,329	164,383	163,905	2,390,980
2010......	1,429,899	285,085	591,049	10,607	152,273	162,114	2,631,027
2011......	1,401,080	281,274	582,221	10,072	141,377	167,519	2,583,543

	Business-Type Activities (1) (2)								Total Primary Government		
Fiscal Year	Revenue Bonds	General Obligation Bonds	State of California - Revolving Fund Loans	Certificates of Participations	Commercial Paper	Notes, Loans and Other Payables	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income (5)	Per Capita (5)
2002....	$ 5,104,133	$ 2,000	$ 179,591	$ -	$ 90,000	$ 4,076	$ 1,342	$ 5,381,142	$ 7,140,195	16.76%	$ 9,163
2003....	5,230,828	800	165,125	-	-	33,388	4,210	5,434,351	7,108,581	16.86	9,172
2004....	5,105,883	400	150,196	-	25,000	30,995	4,891	5,317,365	6,992,699	15.60	9,043
2005....	5,017,292	-	134,783	-	80,000	27,278	4,754	5,264,107	7,267,722	14.81	9,346
2006....	5,450,963	-	118,868	-	-	22,962	5,522	5,598,315	7,741,106	14.36	9,847
2007....	5,321,564	-	102,438	-	50,000	18,447	4,499	5,496,948	7,710,102	13.69	9,648
2008....	5,239,031	-	89,101	-	68,000	13,749	3,843	5,413,724	7,583,122	13.03	9,385
2009....	4,803,640	-	75,339	-	435,880	324,042	2,635	5,641,536	8,032,516	14.33	9,852
2010....	7,009,485	-	61,140	194,112 (4)	128,660	73,322	1,416	7,468,135	10,099,162	17.82	12,542
2011....	7,959,399	-	46,492	193,579	150,000	31,730	652	8,381,852	10,965,395	18.29	13,789



Fiscal Year 2011 Governmental Activities Outstanding Debt Percentage Breakdown



Fiscal Year 2011 Business-Type Activities Outstanding Debt Percentage Breakdown

Notes:

(1) The amount of obligations for the governmental and business-type activities include unamortized bond discount, bond premium and bond refunding loss. The amount of obligations for both activities from fiscal years 2001 through 2009 have been adjusted accordingly.

(2) In fiscal year 2002-03, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business activities.

(3) Includes commercial paper issued by San Francisco County Transportation Authority and the City for multiple capital projects. The amount for fiscal year 2004 to fiscal year 2010 includes obligation on 2003 Refunding Settlement Obligation Bonds S2003-R1 which finally matured on March 15, 2011.

(4) Includes $22,550 in Certificates of Participation which was presented in fiscal year 2009-10 in Capital Leases.

(5) See Demographic and Economic Statistics, for personal income and population data.

CITY AND COUNTY OF SAN FRANCISCO

Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years
(In Thousands, except Per Capita Amounts)

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Restricted for Debt Service (1)	Total	Per Capita (2)	Percentage of Taxable Assessed Value (3)
2002	$ 915,122	$ 20,395	$ 894,727	$ 1,148	0.99%
2003	857,983	13,304	844,679	1,090	0.89
2004	843,499	1,533	841,966	1,089	0.84
2005	1,097,050	33,774	1,063,276	1,367	1.00
2006	1,252,217	46,929	1,205,288	1,533	1.06
2007	1,172,363	35,249	1,137,114	1,423	0.91
2008	1,120,688	31,883	1,088,805	1,348	0.81
2009	1,193,927	40,907	1,153,020	1,414	0.77
2010	1,429,898	36,901	1,392,997	1,730	0.86
2011	1,401,080	39,330	1,361,750	1,712	0.85

Notes:

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements. The amounts of general obligation bonds include unamortized bond discounts, bond premiums, and bond refunding loss

(2) Due to the revision of the population data for fiscal year 2001-02 through fiscal year 2009-10, the per capita amounts have been adjusted for fiscal year 2002 through fiscal year 2010. Population data can be found in Demographic and Economic Statistics.

(3) Taxable property data can be found in Assessed Value of Taxable Property.

CITY AND COUNTY OF SAN FRANCISCO

Legal Debt Margin Information – Last Ten Fiscal Years
(In Thousands)

	Fiscal Year 2002	2003	2004	2005	2006
Debt limit	$ 2,712,699	$ 2,840,970	$ 3,000,644	$ 3,195,776	$ 3,419,607
Total net debt applicable to limit (1)	917,220	859,625	844,350	1,086,355	1,232,205
Legal debt margin	$ 1,795,479	$ 1,981,345	$ 2,156,294	$ 2,109,421	$ 2,187,402
Total net debt applicable to the limit as a percentage of debt limit	33.81%	30.26%	28.14%	33.99%	36.03%

	Fiscal Year 2007	2008	2009	2010	2011
Debt limit	$ 3,749,434	$ 4,050,223	$ 4,497,000	$ 4,853,760	$ 4,785,098
Total net debt applicable to limit (1)	1,155,944	1,098,913	1,165,141	1,386,640	1,355,992
Legal debt margin	$ 2,593,490	$ 2,951,310	$ 3,331,859	$ 3,467,120	$ 3,429,106
Total net debt applicable to the limit as a percentage of debt limit	30.83%	27.13%	25.91%	28.57%	28.34%

Legal Debt Margin Calculation for Fiscal Year 2011

Total assessed value	$	166,414,083
Less: non-reimbursable exemptions (2)		6,910,812
Assessed value (2)	$	159,503,271
Debt limit (three percent of valuation subject to taxation (3))	$	4,785,098
Debt applicable to limit - general obligation bonds		1,355,992
Legal debt margin	$	3,429,106

Notes:

(1) Per outstanding bonds, net of unamortized bond discount, bond premium and bond refunding 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, 2011

District	Total General Debt Outstanding	Estimated Percentage Applicable to City and County (1)	Estimated Share of Overlapping Debt
Bay Area Rapid Transit District	$ 413,865,000	32.00%	$ 132,436,800
San Francisco Unified School District	617,790,000	100.00	617,790,000
San Francisco Community College District	372,240,000	100.00	372,240,000
Subtotal, overlapping debt			1,122,466,800
City and County of San Francisco direct debt (1)			1,355,991,219
Total net direct and overlapping debt			$ 2,478,458,019
Population - 2011 (2)			795,238
Estimated direct and overlapping debt per capita			$ 3,116.63

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 district'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 by 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)

San Francisco International Airport (1)

Fiscal Year	Operating Revenues (2)	Less: Operating Expenses (3)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2002	$ 496,688	$ 266,299	$ 230,389	$ 27,290	$ 213,663	$ 240,953	0.96
2003	533,253	295,672	237,581	52,260	224,364	276,624	0.86
2004	493,682	235,765	257,917	70,630	221,208	291,838	0.88
2005	496,485	253,931	242,554	78,555	207,430	285,985	0.85
2006	480,673	267,387	213,286	79,125	199,419	278,544	0.77
2007	540,186	284,692	255,494	79,415	192,746	272,161	0.94
2008	565,139	295,849	269,290	75,510	214,839	290,349	0.93
2009	574,088	315,823	258,265	88,205	178,372	266,577	0.97
2010	597,429	305,995	291,434	97,715	190,490	288,205	1.01
2011	622,709	331,399	291,310	134,800	177,581	312,381	0.93

(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 Resolution which authorized the sale and issuance of these bonds.
(2) Operating revenues consist of Airport operating revenues and interest and investment income.
(3) In accordance with GASB Statement No. 44, Airport operating expenses related to the pledged revenues exclude interest, depreciation and amortization.

San Francisco Water Enterprise (4)

Fiscal Year	Gross Revenues (5)	Less: Operating Expenses (6)	Adjustments(8)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2002	$ 156,110	$ 148,430	$ 104,662	$ 112,342	$ 7,350	$ 18,686	$ 26,036	4.31
2003	181,275	167,523	89,747	103,499	11,789	21,655	33,444	3.09
2004	174,528	187,378	122,180	109,330	13,345	24,537	37,882	2.89
2005	189,928	176,453	83,078	96,553	14,055	23,939	37,994	2.54
2006	213,499	186,934	110,638	137,203	14,790	20,585	35,375	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	44,065	69,585	2.15
2010	275,041	277,970	141,615	138,686	26,605	42,990 (7)	69,595	1.99
2011	305,678	261,927	126,126	169,877	59,365	58,759 (7)	118,124	1.44

(4) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.
(5) Gross Revenue consists of charges for services, rental income and other income, investing activities and capacity fees.
(6) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest.
(7) Interest payment was restated to exclude capitalized interest in fiscal year 2009-10. Fiscal year 2010-11 interest payment also excluded capitalized interest.
(8) Adjustments column included adjustment to investing activities, depreciation & non-cash expenses, changes in working capital and other available funds presented in the published Annual Disclosure Reports.

Municipal Transportation Agency

Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges (9)	Less: Operating Expenses (10)(11)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2002	$ 13,354	$ 5,351	$ 8,003	$ 1,440	$ 1,437	$ 2,877	2.78
2003	15,633	6,227	9,406	3,274	2,312	5,586	1.68
2004	25,604	10,430	15,174	4,943	2,854	7,797	1.95
2005	25,623	14,071	11,552	5,193	2,573	7,766	1.49
2006	31,116	14,960	16,156	5,471	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	15,091	5,165	1,395	6,560	2.30
2010	39,538	19,018	20,520	2,680	1,149	3,829	5.36
2011	41,204	21,077	20,127	1,615	1,068	2,683	7.50

(9) The Parking Authority leased North Beach, Moscone, and San Francisco General Hospital garages to the City. In return, the City pledged to pay off the debt service with its base (lease) rental payment. Gross Meter Revenue consists of revenues from all meters in San Francisco except the meters on Port and Airport properties.
(10) The annual budget for the Parking Program includes the Parking Authority that manages garages and the Parking Meter Program that maintains meters. The operating expense is the year-end total expenditures net of all debt service payments.
(11) Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses related to the pledged revenue stream do not include interest, depreciation and amortization expenses.

CITY AND COUNTY OF SAN FRANCISCO

Pledged-Revenue Coverage – Last Ten Fiscal Years (Continued)
(In Thousands)

San Francisco Wastewater Enterprise (12)

Fiscal Year	Gross Revenues (13)	Less: Operating Expenses (14)	Adjustments (15)	Net Available Revenue (16)	Debt Service Principal	Debt Service Interest (16)	Debt Service Total (16)	Coverage (16)
2002	$ 134,595	$ 90,642	$ -	$ 43,953	$ 66,006	$ 30,604	$ 96,610	0.45
2003	134,745	90,808	-	43,937	69,871	15,820	85,691	0.51
2004	138,842	129,916	57,461	66,387	-	20,233	20,233	3.28
2005	151,981	139,290	36,700	49,391	-	17,219	17,219	2.87
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	50,163	1.94
2008	206,648	165,245	66,109	107,512	34,500	15,698	50,198	2.14
2009	210,646	169,300	77,800	119,146	35,665	14,646	50,311	2.37
2010	211,899	185,512	86,880	113,267	37,130	13,183	50,313	2.25
2011	231,143	179,084	56,239	108,298	26,320	18,563	44,883	2.41

(12) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.
(13) Gross revenue consists of charges for services, rental income and other income.
(14) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest.
(15) Adjustments includes Depreciation and Non-Cash Expense, Changes, in Working Capital, Investment Income, SRF Loan Payments, Other available Funds that are printed in published Annual Disclosure Reports.
(16) Restated to agree to the published Annual Disclosure Reports for FY 2004, 2005, 2007, 2008, 2009.

Port of San Francisco (17)

Fiscal Year	Total Operating Revenues (18)	Less: Operating Expenses (19)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2002	$ 53,740	$ 47,759	$ 5,981	$ 3,235	$ 2,156	$ 5,391	1.11
2003	56,241	50,103	6,138	3,405	1,976	5,381	1.14
2004	57,782	49,707	8,075	3,595	1,719	5,314	1.52
2005	59,217	43,786	15,431	3,920	1,012	4,932	3.13
2006	61,581	44,893	16,688	3,390	554	3,944	4.23
2007	65,416	50,887	14,529	3,975	453	4,428	3.28
2008	68,111	56,406	11,705	4,070	348	4,418	2.65
2009	68,722	57,574	11,148	4,185	222	4,407	2.53
2010	68,892	58,756	10,136	4,320	75	4,395	2.31
2011	73,774	51,788	21,986	485	2,358	2,843	7.73

(17) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.
(18) Total revenues consist of operating revenues and interest and investment income.
(19) In accordance with GASB Statement No. 44, operating expenses related to the pledged-revenue stream exclude interest, depreciation and amortization. Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses, as defined by the bond indenture, also excludes amortized dredging costs.

Hetch Hetchy Water and Power (20) (21)

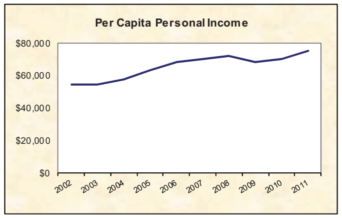
Fiscal Year	Gross Revenues (22)	Less: Operating Expenses (23)	Adjustments (24)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2002	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-
2003	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009	97,671	49,337	4,907	53,241	422	-	422	126.16
2010	105,711	86,334	14,521	33,898	422	-	422	80.33
2011	113,253	86,266	14,786	41,773	422	-	422	98.99

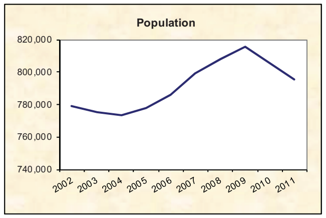
(20) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.
(21) There were no Hetch Hetchy bonds from 2000 to 2008.
(22) Gross Revenue consists of charges for power services, rental income and other income.
(23) Operating Expenses only include power operating expense.
(24) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.

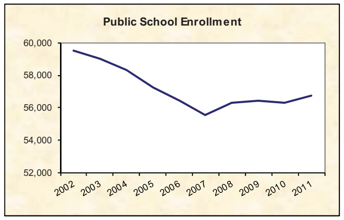
CITY AND COUNTY OF SAN FRANCISCO

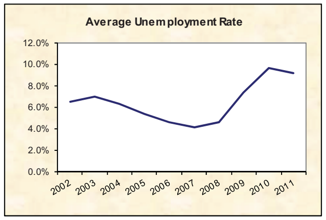
Demographic and Economic Statistics – Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (In Thousands) (2)	Per Capita Personal Income (3)	Median Age (4)	Public School Enrollment (5)	Average Unemployment Rate (6)
2002	779,281	$42,590,545	$54,654	38.3	59,521	6.5%
2003	775,046	42,174,150	54,415	38.3	59,015	7.0%
2004	773,284	44,820,235	57,961	39.2	58,323	6.3%
2005	777,660	49,085,123	63,119	39.4	57,276	5.4%
2006	786,149	53,902,906	68,566	39.4	56,459	4.6%
2007	799,185	56,306,703	70,455	40.0	55,590	4.1%
2008	808,001	58,199,006	72,028	40.4	56,315	4.6%
2009	815,358	56,037,063	68,727	38.5	56,454	7.4%
2010	805,235 (7)	56,665,228 (8)	70,371 (9)	38.5 (10)	56,299	9.7%
2011	795,238 (7)	59,938,859 (8)	75,372 (9)	38.5 (10)	56,758	9.2%









Source:
(1) US Census Bureau released on March 2010. Fiscal years 2002 – 2008 are updated from last year's CAFR with newly available data.
(2) US Bureau of Economic Analysis. Fiscal years 2002 - 2009 is updated from last year's CAFR with newly available data.
(3) US Bureau of Economic Analysis. Fiscal years 2002 - 2009 is updated from last year's CAFR with newly available data.
(4) US Census Bureau, American Community Survey
(5) California Department of Education
(6) California Employment Development Department.

Notes:
(7) 2010 is updated from last year's CAFR with newly available data. 2011 population was estimated by multiplying the 2010 population by the 2009 - 2010 population growth rate.
(8) Personal income was estimated by assuming that its percentage of state personal income in 2010 and 2011 remained at the 2009 level of 3.6 percent.
(9) Per capita personal income for 2010 and 2011 was estimated by dividing the estimated personal income for 2010 and 2011 by the reported and estimated population in 2010 and 2011, respectively.
(10) Median age in 2011 was estimated by averaging the median age in 2009 and 2010. 2010 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

	Year 2010 (1)			Year 2001		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City and County of San Francisco........	25,488	1	5.59%	29,610	1	5.85%
University of California, San Francisco..	11,639	2	2.55	13,835	2	2.95
Wells Fargo & Co............................	9,089	3	1.99	6,366	5	1.36
California Pacific Medical Center.........	6,600	4	1.45	-	-	-
State of California............................	5,465	5	1.20	11,296	3	2.41
United States Postal Service.............	4,369	6	0.96	4,500	10	0.96
PG&E Corporation............................	4,080	7	0.90	5,000	8	1.07
Gap, Inc..	3,783	8	0.83	-	-	-
Kaiser Permanente...........................	3,490	9	0.77	-	-	-
San Francisco State University...........	3,243	10	0.71	-	-	-
Charles Schwab & Co. Inc.................	-	-	-	9,873	4	2.10
San Francisco Unified School District..	-	-	-	5,579	6	1.19
AT&T..	-	-	-	5,200	7	1.11
Pacific Bell/SBC Communications.......	-	-	-	4,600	9	0.98
Total..	77,246		16.95%	95,859		19.98%

Source:
Total City and County of San Francisco employee count is obtained from the State of California Employee Development Department. All other data is obtained from the San Francisco Business Times Book of Lists.

Note:
(1) The latest data as of calendar year-end 2010 is presented.

CITY AND COUNTY OF SAN FRANCISCO

Full-Time Equivalent City Government Employees by Function [1] – Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Protection										
Fire Department	1,909	1,899	1,835	1,752	1,706	1,665	1,726	1,602	1,532	1,512
Police	2,748	2,688	2,669	2,616	2,664	2,765	2,870	2,949	2,757	2,681
Sheriff	921	920	937	929	944	939	951	1,016	1,048	953
Other	998	982	954	930	958	978	1,019	996	981	969
Total Public Protection	6,576	6,489	6,395	6,227	6,272	6,347	6,566	6,563	6,318	6,115
Public Works, Transportation and Commerce										
Municipal Transportation Agency	4,629	4,569	4,518	4,386	4,232	4,374	4,358	4,528	4,358	4,160
Airport Commission	1,537	1,306	1,214	1,203	1,248	1,220	1,228	1,248	1,233	1,294
Department of Public Works	1,081	1,077	1,053	1,059	1,035	1,040	1,060	1,030	822	791
Public Utilities Commission	1,411	1,513	1,589	1,513	1,573	1,596	1,609	1,580	1,549	1,584
Other	569	546	507	505	532	538	543	565	490	508
Total Public Works, Transportation and Commerce	9,227	9,011	8,881	8,666	8,620	8,768	8,798	8,951	8,452	8,337
Community Health										
Public Health	6,192	6,309	6,093	5,928	5,956	5,988	6,196	6,023	5,838	5,696
Total Community Health	6,192	6,309	6,093	5,928	5,956	5,988	6,196	6,023	5,838	5,696
Human Welfare and Neighborhood Development										
Human Services	1,724	1,744	1,735	1,697	1,663	1,745	1,812	1,810	1,662	1,685
Other	305	316	317	312	306	313	312	309	296	284
Total Human Welfare and Neighborhood Development	2,029	2,060	2,052	2,009	1,969	2,058	2,124	2,119	1,958	1,969
Culture and Recreation										
Recreation and Park Commission	1,014	976	1,001	954	916	922	942	919	898	851
Public Library	612	613	617	616	606	631	641	649	649	645
War Memorial	94	95	95	96	95	96	96	97	63	63
Other	130	149	156	149	200	199	204	203	199	201
Total Culture and Recreation	1,850	1,833	1,869	1,815	1,817	1,848	1,883	1,868	1,809	1,760
General Administration and Finance										
Administrative Services	420	401	405	383	378	438	505	539	647	616
City Attorney	329	321	319	308	321	324	327	318	306	300
Telecommunications and Information Services	333	324	313	276	261	270	307	265	252	210
Controller	156	155	141	170	179	184	188	198	180	194
Human Resources	215	213	188	172	151	156	155	144	138	119
Treasurer/Tax Collector	184	185	192	197	199	208	208	212	220	211
Mayor	75	72	56	51	48	51	57	55	49	42
Other	470	466	466	454	491	520	571	547	554	540
Total General Administration and Finance	2,182	2,137	2,080	2,011	2,028	2,151	2,318	2,278	2,346	2,232
General City Responsibility	3	4	4	4	3	-	-	-	-	-
Subtotal annually funded positions	28,059	27,843	27,374	26,660	26,665	27,160	27,885	27,802	26,721	26,109
Capital project funded positions	1,857	1,875	1,567	1,597	1,588	1,628	1,750	1,519	1,928	1,885
Total annually funded positions	29,916	29,718	28,941	28,257	28,253	28,788	29,635	29,321	28,649	27,994

Source: Controller, City and County San Francisco

(1) Data represent budgeted and funded full-time equivalent positions.

CITY AND COUNTY OF SAN FRANCISCO

Operating Indicators by Function – Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Protection										
Fire and Emergency Communications										
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile	N/A	N/A	8:09	7:59	8:01	8:04	7:36	7:06	7:10	7:19
Police										
Average time from dispatch to arrival on scene for highest priority calls (1)	2:36	2:45	2:58	3:07	3:09	3:15	4:08	3:49	3:33	4:07
Number of homicides per 100,000 population (2)	N/A	N/A	10.8	9.8	12.8	9.6	11.8	8.2	5.3	6.3
Percentage of San Franciscans who report feeling safe or very safe crossing the street (3)	42%	45%	45%	51%	N/A	48%	N/A	56%	N/A	N/A
Public Works, Transportation, and Commerce										
General Services Agency - Public Works										
Percentage of San Franciscans who rate cleanliness of neighborhood streets as good or very good (4)	45%	N/A	52%	49%	N/A	49%	N/A	50%	N/A	52%
Number of blocks of City streets repaved	324	292	154	186	267	243	334	310	312	427
Municipal Transportation Agency										
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good) (3)	2.92	3.21	3.20	3.13	N/A	2.84	N/A	2.98	N/A	3.55
Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points (5)	69.9%	70.4%	68.8%	71.0%	69.2%	70.8%	70.6%	74.4%	73.5%	72.9%
Percentage of scheduled service hours delivered (6)	96.3%	96.5%	97.2%	95.3%	94.2%	94.3%	95.9%	96.9%	96.6%	96.2%
Airport										
Percent change in air passenger volume	-20.1%	-5.9%	5.3%	5.5%	1.5%	2.8%	8.4%	-0.8%	4.8%	5.3%
Human Welfare and Neighborhood Development										
Environment										
Percentage of total solid waste materials diverted in a calendar year	46%	52%	63%	67%	67%	69%	70%	72%	77%	78%
Culture and Recreation										
Recreation and Park										
Percentage of San Franciscans who rate the quality of the City's park grounds (landscaping) as good or very good (3)	64%	67%	67%	60%	N/A	57%	N/A	65%	N/A	N/A
Citywide percentage of park maintenance standards met for all parks inspected	N/A	N/A	N/A	N/A	83%	86%	88%	89%	91%	90%
Public Library										
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good	77%	79%	81%	76%	N/A	75%	N/A	79%	N/A	79%
Circulation of materials at San Francisco libraries	6,259,092	6,793,335	6,755,843	7,279,926	7,459,821	7,685,892	8,334,391	9,638,160	10,849,582	10,679,061
Asian and Fine Arts Museums										
Number of visitors to City-owned art museums (7)	453,117	727,437	763,242	696,271	1,546,617	1,879,868	1,739,096	2,693,469	2,599,322	2,426,861

Source: Controller, City and County of San Francisco

(1) Measure changed from median time to average time in FY 2008. Values for FY 2001 through FY 2007 reflect median time, FY 2008 reflects average time.

(2) Value for FY 2009 is based on a different source for population data than prior fiscal years.

(3) Value for FY 2005 has been restated to be consistent with City Survey data.

(4) Value for FY 2002 has been restated to be consistent with City Survey data.

(5) Values for FY 2002 through FY 2005 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.

(6) Values for FY 2002 and FY 2006 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.

(7) The California Academy of Sciences opened on September 27, 2008.

N/A = Information is not available. Note that in most cases this is due to the fact that the City Survey, which was administered annually until 2005, then biennially afterwards, is the data source.

CITY AND COUNTY OF SAN FRANCISCO

Capital Asset Statistics by Function – Last Ten Fiscal Years

	Fiscal Year									
Function	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Police protection (1)										
Number of stations..................	11	11	10	10	10	10	10	10	10	10
Number of police officers...........	2,449	2,388	2,170	2,180	2,070	2,304	2,455	2,356	2,261	2,288
Fire protection (2)										
Number of stations..................	45	45	45	45	48	42	42	42	42	46
Number of firefighters...............	1,800	1,795	1,690	1,675	1,333	1,012	978	809	768	778
Public works										
Mile of street (3).....................	1,044	1,252	1,050	1,050	1,051	1,051	1,291	1,318	1,317	1,317
Number of streetlights (4)..........	42,363	41,042	41,031	41,431	41,571	42,029	42,957	43,492	43,973	44,530
Water (4)										
Number of services..................	168,905	169,251	169,689	169,975	170,471	170,873	172,471	172,885	172,680	173,033
Average daily consumption (million gallons)...	245.9	243.2	257.2	239.7	236.3	247.1	247.5	236.6	219.9	213.6
Mile of water mains..................	1,450	1,450	1,450	1,453	1,457	1,457	1,457	1,465	1,465	1,473
Sewers (4)										
Mile of collecting sewers...........	993	993	993	993	993	993	993	993	993	993
Mile of transport/storage sewers.	15	15	15	15	15	15	17	17	17	17
Recreation and cultures										
Number of parks (5).................	230	230	209	210	220	209	222	222	220	220
Number of libraries (6)..............	27	27	27	27	27	28	28	28	28	28
Number of library volumes (million) (6)..............	2.2	2.3	2.1	2.4	2.6	2.7	2.8	2.9	3.3	3.5
Public school education (7)										
Attendance centers.................	113	118	118	119	117	112	112	112	115	115
Number of classrooms.............	3,428	3,418	3,439	3,434	3,390	3,256	3,269	2,723	2,779	2,797
Number of teachers, full-time equivalent................	3,272	3,362	3,138	3,171	3,103	3,103	3,113	3,167	3,312	3,132
Number of students.................	60,421	59,521	57,805	57,144	56,236	55,497	56,259	55,272	55,779	55,571

Sources:

(1) Police 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**

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER & TAX COLLECTOR

INVESTMENT POLICY

Effective October 2011

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. Any modification made by the Treasurer to this Investment Policy shall be ratified by the County Treasury Oversight Committee within five working days to stay in effect.

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.

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 7.5).

The following policy shall govern unless a variance is specifically authorized by the Treasurer and ratified 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
70% of the portfolio value	30%	100%	5 years

7.3 TLGP (Temporary Liquidity Guarantee Program)

TLGP bonds, which are backed by the FDIC with a final maturity of less than 5 years, shall be limited to 30% of the portfolio.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
30% of the portfolio value	No Limit	No Limit	5 years

7.4 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 a long-term credit rating of the second highest ranking or better (irrespective of +/-) from two NRSROs. This limitation applies to all local and State agencies within the 50 United States with the exception of the State of California.

7.5 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.

7.6 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 a long-term credit rating of the second highest ranking or better (irrespective of +/-) from two NRSROs.

7.7 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

7.8 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 two NRSROs.

7.9 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
15% of the portfolio value	10%	5%	13 months

Issuer Minimum Credit Rating: Issuers must possess a long-term credit rating of the second highest ranking or better (irrespective of +/-) from two NRSROs.

7.10 Repurchase Agreements

The Treasurer's Office shall selectively utilize this investment vehicle with terms not to exceed 30 days, secured solely by government securities and said collateral will be delivered to a third party, so that recognition of ownership of the City and County of San Francisco is perfected.

7.11 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.

7.12 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.).

Allocation Maximum	Issuer Limit Maximum	Percentage of Fund's Net Assets Maximum	Maturity/Term Maximum
No Limit	N/A	5%	N/A

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).

7.13 Local Agency Investment Fund (LAIF)

Investments in LAIF, a California state investment fund available to California municipalities, are authorized.

8.0 Interest and Expense Allocations

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets, managing and accounting for the banking; receiving and remitting deposits; oversight controls; and indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated and charged to the Pooled Investment Fund on a quarterly basis, with the exception of San Francisco International Airport costs which are charged directly through a work order.

The San Francisco Controller allocates the net interest earnings of the Pooled Investment Fund. The earnings are allocated monthly based on average balances.

9.0 Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer's Office shall be conducted on a delivery-versus-payment (DVP) basis pursuant to approved custodial safekeeping agreements. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

10.0 Deposit and Withdrawal of Funds

California Government Code Section 53684 et seq. provides criteria for outside local agencies, where the Treasurer does not serve as the agency's treasurer, to invest in the County's Pooled Investment Fund, subject to the consent of the Treasurer. Currently, no government agency outside the geographical boundaries of the City and County of San Francisco shall have money invested in City pooled funds.

The Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the San Francisco Controller. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the Treasurer. In accordance with California Government Code Sections 27136 et seq. and 27133(h) et seq., such requests for withdrawals must first be made in writing to the Treasurer. These requests are subject to the Treasurer's consideration for the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Pooled Investment Fund. Any withdrawal for such purposes shall be at the value shown on the Controller's books as of the date of withdrawal.

11.0 Limits on Receipt of Honoraria. Gifts and Gratuities

In accordance with California Government Code Section 27133(d) et seq., this Investment Policy hereby establishes limits for the Treasurer, individuals responsible for management of the portfolios, and members of the Treasury Oversight Committee on the receipt of honoraria, gifts and gratuities from advisors, brokers, dealers, bankers or others persons with whom the Treasurer conducts business. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of those limits must report the gifts, dates and firms to the Treasurer and complete the appropriate State disclosure.

These limits may be in addition to the limits set by a committee member's own agency, by state law, or by the California Fair Political Practices Commission. Members of the Treasury Oversight Committee also must abide by the following sections of the Treasurer's Office Statement of Incompatible Activities: Section III(A)(l)(a), (b) and (c) entitled "Activities that Conflict with Official Duties," and Section III(C) entitled "Advance Written Determination".

12.0 Reporting

In accordance with the provisions of California Government Code Section 53646, which states that the Treasurer may render a quarterly report or a monthly report on the status of the investment portfolio to the Board of Supervisors, Controller and Mayor, the Treasurer regularly submits a monthly report. The report includes the investment types, issuer, maturity date, par value, and dollar amount invested; market value as of the date of the report and the source of the valuation; a statement of compliance with the investment policy or an explanation for non-compliance; and a statement of the ability or inability to meet expenditure requirements for six months, as well as an explanation of why moneys will not be available if that is the case.

13.0 Social Responsibility

In addition to and subordinate to the objectives set forth in Section 4.0 herein, investment of funds should be guided by the following socially responsible investment goals when investing in corporate securities and depository institutions. Investments shall be made in compliance with the forgoing socially responsible investment goals to the extent that such investments achieve substantially equivalent safety, liquidity and yield compared to investments permitted by state law.

13.1 Social and Environmental Concerns

Investments are encouraged in entities that support community well-being through safe and environmentally sound practices and fair labor practices. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability or sexual orientation. Investments are discouraged in entities that manufacture tobacco products, firearms, or nuclear weapons. In addition, investments are encouraged in entities that offer banking products to serve all members of the local community, and investments are discouraged in entities that finance high-cost check-cashing and deferred deposit (payday-lending) businesses. Prior to making investments, the Treasurer's Office will verify an entity's support of the socially responsible goals listed above through direct contact or through the use of a third party such as the Investors Responsibility Research Center, or a similar ratings service. The entity will be evaluated at the time of purchase of the securities.

13.2 Community Investments

Investments are encouraged in entities that promote community economic development. Investments are encouraged in entities that have a demonstrated involvement in the development or rehabilitation of low income affordable housing, and have a demonstrated commitment to reducing predatory mortgage lending and increasing the responsible servicing of mortgage loans. Securities investments are encouraged in financial institutions that have a Community Reinvestment Act (CRA) rating of either Satisfactory or Outstanding, as well as financial institutions that are designated as a Community Development Financial Institution (CDFI) by the United States Treasury Department, or otherwise demonstrate commitment to community economic development.

13.3 City Ordinances

All depository institutions are to be advised of applicable City contracting ordinances, and shall certify their compliance therewith, if required.

14.0 Treasury Oversight Committee

A Treasury Oversight Committee was established by the San Francisco Board of Supervisors in Ordinance No. 316-00. The duties of the Committee shall be the following:

(a) Review and monitor the investment policy described in California Government Code Section 27133 and prepared annually by the Treasurer.

(b) Cause an annual audit to be conducted to determine the Treasurer's compliance with California Government Code Article 6 including Sections 27130 through 27137 and City Administrative Code Section 10.80-1. The audit may examine the structure of the investment portfolio and risk. This audit may be a part of the County Controller's usual audit of the Treasurer's Office by internal audit staff or the outside audit firm reviewing the Controller's Annual Report.

(c) Nothing herein shall be construed to allow the Committee to direct individual decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the Treasurer. (See California Government Code, Section 27137.)

APPENDIX I

Glossary

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASK/OFFER: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The CAFR is the City's official annual financial report. It consists of three major sections: introductory, financial, and statistical. The introductory section furnishes general information on the City's structure, services, and environment. The financial section contains all basic financial statements and required supplementary information, as well as information on all individual funds and discretely presented component units not reported separately in the basic financial statements. The financial section may also include supplementary information not required by GAAP. The statistical section provides trend data and nonfinancial data useful in interpreting the basic financial statements and is especially important for evaluating economic condition.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DEPOSITORY INSTITUTIONS: These institutions hold City and County moneys in the forms of certificates of deposit (negotiable or term), public time deposits and public demand accounts.

DERIVATIVES: (l) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FDIC DEPOSIT INSURANCE COVERAGE: The FDIC is an independent agency of the United States government that protects against the loss of insured deposits if an FDIC-insured bank or savings association fails. Deposit insurance is backed by the full faith and credit of the United States government. Since the FDIC was established, no depositor has ever lost a single penny of FDIC-insured funds. FDIC insurance covers funds in deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit (CDs). FDIC insurance also covers the Treasury Liquidity Guarantee Program (TLGP). 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.

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.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The principal amount of a bond returned by the maturity date.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

PUBLIC TIME DEPOSITS (Term Certificates Of Deposit): Time deposits are issued by depository institutions against funds deposited for a specified length of time. Time deposits include instruments such as deposit notes. They are distinct from certificates of deposit (CDs) in that interest payments on time deposits are calculated in a manner similar to that of corporate bonds whereas interest payments on CDs are calculated similar to that of money market instruments.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE l5(C))3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TLGP: Treasury Liquidity Guarantee Program. The FDIC has created the Treasury Liquidity Guaranty Program to strengthen confidence and encourage liquidity in the banking system by guaranteeing newly issued senior unsecured debt of banks, thrifts, and certain holding companies. The TLGP is expected to end on June 30, 2012.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.


SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO
ORO EN PAZ
FIERRO
EN GUERRA

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE

The following is a summary of certain provisions of the Indenture and the Lease and is not to be considered a full statement of the provisions thereof. This summary is qualified in its entirety by reference to and is subject to the complete Indenture and Lease, copies of which are available from the Corporation, c/o the Office of Public Finance.

For purposes of this Appendix D, "Series 2012A Bonds" refers to the Corporation's Lease Revenue Bonds, Series 2012A (Equipment Program), and "Bonds" refers to all outstanding lease revenue bonds of the Corporation issued under the Indenture.

CERTAIN DEFINED TERMS

Additional Rental. The term "Additional Rental" means all amounts payable by the City as Additional Rental pursuant to the Lease.

Authorized Officer. The term "Authorized Officer," when used with respect to the Corporation, means the President or Chief Financial Officer of the Corporation or any other officer of the Corporation who is designated in writing by the Corporation as an Authorized Officer for purposes of the Indenture, and when used with respect to the City, means the Mayor or any other official or employee of the City who is designated in writing by the Mayor as an Authorized Officer for purposes of the Indenture.

Base Rental. The term "Base Rental" means all amounts payable by the City as Base Rental pursuant to the Lease related to the Equipment.

Certificate of Completion. The term "Certificate of Completion" means a Certificate of the City, in the form of Exhibit C to the Lease, certifying that all Equipment with respect to a Project anticipated to be acquired has been acquired, installed and accepted by the City and that all Project Costs attributable to such Equipment have been paid.

Computer System. The term "Computer System" means a component of Equipment that consists of both computer hardware and software components.

Credit Facility. The term "Credit Facility" means (i) a surety bond or other financial undertaking issued by a financial institution, if the unsecured obligations of or the claims paying ability of such financial institution has one of the two highest ratings then issued by a nationally recognized bond rating agency, or (ii) a policy of insurance issued by an insurance company, if the obligations insured by such insurance company have one of the two highest ratings then issued by a nationally recognized bond rating agency, or (iii) an irrevocable letter of credit from a bank the long-term obligations of which are rated in one of the two highest rating categories by a nationally recognized rating agency delivered to the Trustee to satisfy the obligation to deposit moneys in the Reserve Fund in connection with any Series of Bonds and which is in an amount equal to the Reserve Requirement for such Series of Bonds.

Equipment. The term "Equipment" means the personal property listed in Exhibit A to the Equipment Lease Supplement, as supplemented from time to time pursuant to the Lease, all to be leased by the Corporation to the City pursuant to the Lease.

Government Certificates. The term "Government Certificates" means evidences of indebtedness of ownership of proportionate interests in future principal and interest payments of Government Obligations, including depository receipts thereof, wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) the owner of the Government Certificate is a real party in interest with the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (iii) the underlying Government Obligations are held in trust in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian or any person claiming through the custodian, or any person to whom the custodian may be obligated.

Government Obligations. The term "Government Obligations" means direct obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury) or evidence of ownership in a portion thereof (which may consist of specified portions of interest thereon and obligations of the Resolution Trust Corporation which constitute interest strips) if held by a custodian on behalf of the Trustee or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

Integrated Software. The term "Integrated Software" means one or more programs for directing the operation of a computer or processing electronic data, which program or programs are integrally related to, and necessary to the functioning of, an item of Equipment and transferable only as a part of such item of Equipment without license or consent.

Lease Supplement. The term "Lease Supplement" means a supplement to the Lease, and includes an equipment schedule, a Base Rental payment schedule and a certificate of approval.

Net Proceeds. The term "Net Proceeds" means the amount remaining from the gross proceeds of any insurance claim or condemnation award made in connection with the Equipment, after deducting all expenses (including attorneys' fees) incurred in the collection of such claim or award.

Owner. The term "Owner" means any person who shall be the registered owner of any outstanding Bond as shown on the registration books required to be kept by the Trustee.

Payment Date. The term "Payment Date" means each April 1 and October 1.

Permitted Investments. The term "Permitted Investments" means any of the following:

(1) United States Treasury notes, bonds, bills, or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of principal and interest;

(2) Obligations issued by federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board or obligations, participations or other instruments of or issued by, or fully guaranteed as to interest and principal by, the Federal National Mortgage Association, or guaranteed portions of Small Business Administration notes, or obligations, participations or other instruments of or issued by a federal agency of a United States of America government-sponsored enterprise, so long as such obligations are fully guaranteed as to interest and principal by the United States of America;

(3) Demand or time deposits or negotiable certificates of deposit issued by (a) the Trustee or any paying agent, or (b) any bank, organized under the laws of any state of the United States of America or any national banking association; or savings and loan association provided that such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit Insurance Corporation, (ii) issued by any bank, trust company or savings and loan association organized under the laws of any state of the United States, or any national banking association, having a combined capital and surplus of at least $50,000,000, so long as the deposits to which such deposits or certificates of deposit relate (A) do not exceed at any one time in the aggregate 10% of the total of the capital and surplus or shareholders' equity, as the case may be, of such bank or trust company or savings and loan association or national banking association, and (B) are continuously and fully secured by such securities as are described in clauses (1) or (2) above, which securities shall have a market value (exclusive of accrued interest) at all times at least equal to 110% of the principal amount of such deposits or certificates of deposit (marked to market at least weekly) and whose short-term obligations are rated in the highest rating category by each rating agency maintaining a rating on the Bonds;

(4) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States (including the Trustee) or any national banking association or government bond dealer reporting

to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is entered into with an institution whose debt is rated in one of the two highest rating categories by each rating agency that maintains a rating on the Bonds;

(5) Commercial paper, or corporate bonds or notes rated in the highest rating category by each rating agency that maintains a rating on the Bonds;

(6) Other unsubordinated securities or obligations issued or guaranteed (including a guarantee in the form of a bank standby letter of credit) by any domestic corporation (including a bank or trust or insurance company) rated in one of the two highest rating categories (without regard to rating subcategories) by each rating agency that maintains a rating on the Bonds;

(7) Interest-bearing certificates of deposit in a national or state bank or a trust company (which may be the Trustee) which has a combined capital and surplus aggregating not less than $100,000,000 and which has outstanding, at the time of investment, short-term obligations rated in the highest rating category (without regard to rating subcategories) by each rating agency that maintains a rating on the Bonds;

(8) Bankers' acceptances, Eurodollar deposits of banks or trust companies, including the Trustee, organized under the laws of the United States or Canada or any state or province thereof, or domestic branches of foreign banks, having a capital and surplus of $50,000,000 or more and which has outstanding, at the time of investment, short-term obligations rated in the highest rating category (without regard to rating subcategories) by each rating agency that maintains a rating on the Bonds;

(9) Bonds or other securities issued by any state, territory, commonwealth, or the District of Columbia or any political subdivision thereof which have been defeased and re-rated in the highest rating category by each rating agency that maintains a rating on the Bonds;

(10) Bonds or other securities issued by any state, territory, commonwealth, or the District of Columbia or any political subdivision thereof which are rated in one of the two highest rating categories by each rating agency that maintains a rating on the Bonds; and

(11) Money market funds rated AAm or better by Standard & Poor's Corporation.

Provided that with respect to amounts in the Acquisition Fund and the Costs of Issuance Fund (each as created under the Indenture) and with respect to amounts in all funds and accounts established under the Indenture on and after the date on which no Series 1997A Bonds remain outstanding, the definition of "Permitted Investments" means any of the following, if and to the extent permitted by law and by any policy guidelines promulgated by the Corporation:

(a) Government Obligations or Government Certificates.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) Farmers Home Administration (FmHA) – Certificates of beneficial ownership; (ii) Federal Housing Administration Debentures (FHA); (iii) General Services Administration - Participation certificates; (iv) Government National Mortgage Association (GNMA or "*Ginnie Mae*") – GNMA guaranteed mortgage backed bonds, GNMA guaranteed pass through obligations (participation certificates); (v) U.S. Maritime Administration – Guaranteed Title XI financing; (vi) U.S. Department of Housing and Urban Development (HUD) – Project notes and local authority bonds; and (vii) any other agency or instrumentality of the United States of America.

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) Federal Home Loan Bank System – Senior debt obligations (consolidated debt obligations); (ii) Federal Home Loan Mortgage Corporation (FHLMC or "*Freddie Mac*") – Participation certificates (mortgage-backed securities) and senior debt obligations; (iii) Federal National Mortgage Association

(FNMA or "*Fannie Mae*") – Mortgage backed securities and senior debt obligations (excluding stripped mortgage securities which are valued greater than par on the portion of the unpaid principal); (iv) Student Loan Marketing Association (SLMA or "*Sallie Mae*") – Senior debt obligations; (v) Resolution Funding Corp. (REFCORP) – Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form; (vi) Federal Farm Credit System – Consolidated systemwide bonds and notes; and (vii) any other agency or instrumentality of the United States of America.

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by Standard and Poor's Credit Market Services ("*S&P*") of AAAm-G or AAAm and by Moody's Investors Service, Inc. ("*Moody's*") of Aaa.

(e) Certificates of deposit issued by a state or national bank or a state or federal savings and loan, *provided* that such certificates of deposit shall be either (i) continuously and fully insured by the FDIC, or (ii) have a maturity of not greater than 365 days and have the highest short-term letter and numerical ratings of Moody's and S&P.

(f) Savings accounts or money market deposits that are fully insured by the FDIC.

(g) Investment agreements, including guaranteed investment contracts, provided either (i) the long-term unsecured debt or claims ability of the issuer or guarantor thereof is rated in the highest rating category by Moody's and S&P, or (ii) such agreement is fully collateralized by Government Obligations or Government Certificates.

(h) Commercial paper of "prime" quality rated in the highest rating category by Moody's and S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States.

(i) Bonds or notes issued by any state or municipality that are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies.

(j) Federal funds or banker's acceptances which are eligible for purchases by members of the Federal Reserve System, drawn on any bank the short-term obligations of which are rated in the highest rating category by Moody's and S&P, *provided* that the maturity cannot exceed 270 days.

(k) Repurchase agreements with maturities of either (a) 30 days or less, or (b) less than one year provided that the collateral is marked-to-market daily, entered into with financial institutions such as banks or trust companies organized under state or federal law, insurance companies, or government bond dealers reporting to, or trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of SPIC, or with a dealer or parent holding company that is rated A or better by Moody's and S&P. The repurchase agreement must be in respect of Government Obligations or Government Certificates or obligations described in paragraph (b) herein, which, exclusive of accrued interest, shall be maintained at least 100% of par. In addition, repurchase agreements shall meet the following criteria: (i) the third party (who shall not be the provider of the collateral) has possession of the repurchase securities and the Government Obligations or Government Certificates; (ii) failure to maintain the requisite collateral levels shall require liquidation and (iii) the third party having possession of the securities has a perfected, first priority security interest in the securities.

(l) Any other debt or fixed income security specified by the City (except securities of the City and any agency, department, commission or instrumentality thereof) and rated in the highest rating category by Moody's and S&P, including "pre funded" municipal obligations.

Project. The term "Project" means the acquisition and installation of all items of Equipment to be financed with the proceeds of a particular Series of Bonds.

Project Costs. The term "Project Costs" means all costs of payment of, or reimbursement for, the acquisition, installation, if applicable, and financing of the Equipment and any item functionally related to the Equipment, and any license necessary or convenient in connection with the use of the Equipment, including but not limited to, architect, engineering and installation management costs, administrative costs and capital expenditures relating to installation and financing payments, sales tax on the Equipment, costs of accounting, feasibility, environmental and other reports, insurance costs, inspection costs, permit fees, prepaid maintenance, licensor or software fees, including prepaid technical support costs, filing and recording costs, printing costs, reproduction and binding costs, fees and charges of the Trustee, escrow fees, legal fees and charges, costs of rating agencies or credit ratings, Credit Facility fees and financial and other professional consultant fees.

Rental Payments. The term "Rental Payments" means, collectively, the Base Rental payments and the Additional Rental payments with respect to the Equipment.

Reserve Requirement. The term "Reserve Requirement" means the amount, if any, described under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Series 2012A Reserve Account" in the forepart of this Official Statement.

Supplemental Indenture. The term "Supplemental Indenture" means a Supplemental Indenture executed and delivered by the Corporation and the Trustee pursuant to the Indenture.

Tax Certificate. The term "Tax Certificate" means the Tax Certificate and Agreement of the City and Corporation, dated the date of delivery of the Series 2012A Bonds.

Working Capital Requirement. The term "Working Capital Requirement" means such amount, if any, as may be specified in a Supplemental Indenture with respect to a Series of Bonds.

Written Request of the Corporation. The term "Written Request of the Corporation" means an instrument in writing signed by an Authorized Officer of the Corporation.

THE INDENTURE

PLEDGE OF BASE RENTAL PAYMENTS; ASSIGNMENT OF LEASE

Subject only to the provisions of the Indenture permitting the application thereof for or to the purpose and on the terms and conditions set forth therein, all of the Base Rental payments received by the Trustee, all of the proceeds of the Series 2012A Bonds and any other amounts held in any fund or account (except the Rebate Fund) established under the Indenture for the Series 2012A Bonds and all of the right, title and interest of the Corporation in the Lease and in the Equipment are pledged to secure the payment of the principal of and interest on the Series 2012A Bonds in accordance with their terms and the provisions of the Indenture. Said pledge constitutes a lien on and security interest in such assets.

Under the Indenture, the Corporation sells, transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the holders of the Bonds, all of the Base Rental payments and other moneys pledged as described in the preceding paragraph, all rents, profits and products from the Equipment to which the Corporation has any right or claim whatsoever, and all right, title and interest in and to the Lease including, without limitation, the right to take all actions and give all consents under the Lease and all rights of the Corporation as lessor under the Lease necessary to enforce payment of such Base Rental payments when due or, otherwise to protect the interests of the owners of the Series 2012A Bonds; provided that the Corporation retains certain rights to indemnification and the payment of its costs and expenses under the Lease. The Trustee is entitled to collect and receive all of the Base Rental payments, and any Base Rental payments collected or received by the Corporation, are deemed pursuant to the Indenture to be held, and to have been collected or received, by the Corporation as the agent of the Trustee and are required by the Indenture forthwith to be paid by the Corporation to the Trustee. The Trustee is also required to take all steps, actions and proceedings reasonably necessary in its judgment to preserve and protect the priority of its security interest in the Lease and the Equipment.

NO LIABILITY OF CORPORATION, CITY AND TRUSTEE TO THE OWNERS

Except as expressly provided in the Indenture, the Corporation has no obligation or liability to the Owners with respect to the payment when due of the Rental Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by the City contained in the Lease or in the Indenture, or with respect to the performance by the Trustee of any rights or obligation required to be performed by the Trustee contained in the Indenture.

Except for the payment when due of the Rental Payments and the performance of the other agreements and covenants required to be performed by the City contained in the Lease and the Indenture, the City has no obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Base Rental payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required by the Indenture to be performed by the Trustee.

Except as expressly provided in the Indenture, the Trustee has no obligation or liability to the Owners with respect to the payment when due of the Base Rental payments by the City, or with respect to the performance by the City of the other agreements and covenants contained in the Lease or in the Indenture that are required to be performed by the City.

CREATION AND APPLICATION OF FUNDS AND ACCOUNTS

The Indenture establishes the following funds and accounts for the Series 2012A Bonds:

Acquisition Fund
- Series 2012A Project Account

Costs of Issuance Fund
- Series 2012A Costs of Issuance Account

Rebate Fund
- Series 2012A Rebate Account

Base Rental Payment Fund
- Series 2012A Base Rental Payment Account, consisting of the Series 2012A Interest Account and the Series 2012A Principal Account

Reserve Fund
- Series 2012A Reserve Account

Surplus Fund
Working Capital Fund
Redemption Fund

Acquisition Fund. All moneys in the Acquisition Fund are required by the Indenture to be applied by the Trustee to the payment of any Project Costs (or for making reimbursements to the Corporation, the City or any other person, firm or corporation for such costs). For each Series of Bonds, the Trustee will establish a Project Account within the Acquisition Fund. Amounts in each such Project Account may only be distributed by the Trustee to pay costs related to the Project financed by such Series of Bonds or to redeem such Series of Bonds. Upon receipt by the Trustee of a Certificate of Completion for the Project financed by a Series of Bonds, all amounts remaining in the Project Account for such Series of Bonds, are required to be transferred by the Trustee to the Rebate Fund or to the Redemption Fund to be applied to the redemption of that Series of Bonds.

Costs of Issuance Fund. For each Series of Bonds, the Trustee is required to establish a Costs of Issuance Account within the Costs of Issuance Fund. Moneys in each such Costs of Issuance Account shall be disbursed as is necessary to pay Costs of Issuance for the related Series of Bonds. Upon the written request of the City, the Trustee shall transfer any amount then remaining in the related Costs of Issuance Account to the Project Account established for such Series of Bonds.

Rebate Fund. There shall be deposited in the Rebate Fund from funds of the City or the Corporation such amounts as are required to be deposited therein pursuant to the Tax Certificate. All moneys at any time deposited in the Rebate Fund or any subaccount therein will be held by the Trustee in trust, to the extent required to satisfy any rebate requirement (as set forth in the Tax Certificate), for payment to the United States of America. Amounts required to be deposited into or on deposit in the Rebate Fund are not pledged to the payment of the Bonds under the Indenture.

Base Rental Payment Fund. Notwithstanding any other provision of the Indenture, with respect to the Series 2012A Bonds there is established a Series 2012A Base Rental Payment Account (including accounts therein) within the Base Rental Payment Fund. References in this APPENDIX D to series accounts within the Interest Fund or the Principal Fund shall be references to such Series 2012A Base Rental Payment Account or the Interest Account or Principal Account therein established in the Base Rental Payment Fund, as the case may be.

Interest Fund. The Indenture requires the Trustee to deposit from Base Rental payments made by the City in each Interest Account created therein for each Series of Bonds, on each Payment Date, that amount, if any, needed to bring the amounts in such Accounts to the aggregate amount of interest coming due on each Series of Bonds on such Payment Date. Moneys in the Interest Fund are required to be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds when due and payable.

Principal Fund. The Indenture requires the Trustee to deposit from Base Rental payments made by the City in each Principal Account created therein for each Series of Bonds, on each Payment Date, that amount, if any, needed to bring the amounts of such Accounts to the aggregate amount of principal coming due on each Series of Bonds on such Payment Date. Moneys in the Principal Fund are required to be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds when due and payable.

Reserve Fund. Upon the issuance of any Series of Bonds, the Trustee is required to cause to be deposited in the separate Reserve Account established within the Reserve Fund for such Series of Bonds an amount equal to the initial Reserve Requirement for such Series of Bonds. Such amount may be derived from the proceeds of such Series of Bonds, other funds of the City or the Corporation or a Credit Facility. After making any required deposits to the Interest Fund and the Principal Fund, the Trustee is required to deposit from Base Rental Payments made by the City in each Reserve Account, on each April 1 and October 1, the amount (if any) needed to bring the amount on deposit in each Reserve Account to the then applicable Reserve Requirement for such Reserve Account. In the event amounts in the Base Rental Payment Fund are insufficient to make the deposits described in the preceding sentence, the Trustee will make such deposits from Base Rental Payments made by the City on a pro rata basis to each Reserve Account on the basis of the applicable Reserve Requirement. Amounts on deposit in each Reserve Account may be withdrawn by the Trustee solely for deposit in the corresponding Interest Account and Principal Account in the event that the amounts therein are insufficient for the purposes of paying interest and principal on the corresponding Series of Bonds. Any amounts on deposit in a Reserve Account in excess of the Reserve Requirement for such Reserve Account are to be withdrawn by the Trustee and transferred to the Base Rental Payment Fund for deposit in the corresponding Interest Account and Principal Account.

Surplus Fund. After making the required deposits to the funds discussed in the preceding paragraphs, the Trustee is required to transfer, on or before the business day immediately succeeding each Payment Date, any remaining amounts in the Base Rental Payment Fund to the Surplus Fund. On the first business day after making each deposit in the Surplus Fund, the Trustee is to determine whether any moneys then in the Surplus Fund will be required for the payment of principal and interest on the Bonds and will hold any moneys required for such purposes. Moneys in the Surplus Fund not required for such purposes may be used (i) for the redemption of Bonds; (ii) for the purchase of Bonds at such prices (including brokerage and other charges, but excluding accrued interest which is payable from the Interest Fund) as the Corporation may deem advisable, but not to exceed the par value thereof, or in the case of Bonds which by their terms are subject to call and redemption, the highest redemption price (excluding accrued interest) or the then current redemption price (excluding accrued interest), whichever is lower; or (iii) for transfer to the Working Capital Fund or the City. Moneys in the Surplus Fund are to be used and withdrawn by the Trustee solely for the foregoing purposes, subject, however, to any requirement for deposit to the Rebate Fund.

Working Capital Fund. All amounts received from the City as Additional Rental under the Lease and such other amounts as designated for deposit therein by a Supplemental Indenture will be deposited by the Trustee in the Working Capital Fund. Upon the Written Request of the Corporation, the Trustee will disburse amounts in the

Working Capital Fund for the payment of taxes and assessments and any administrative cost of the Corporation or charges required to be paid by the Corporation in order to maintain its existence or to comply with the terms of the Bonds or of the Indenture. Subject to any requirement for deposit to the Rebate Fund, moneys in the Working Capital Fund are to be used and withdrawn by the Trustee for the foregoing purposes; *provided, however,* that amounts in the Working Capital Fund may also be withdrawn or applied to the payment of principal of or interest on the Bonds, on any Payment Date for which the Trustee receives a written request of the City and a Written Request of the Corporation to the effect that as of the date of such request, the amounts to be transferred or withdrawn are no longer necessary to be retained in the Working Capital Fund for the purposes for which it was established.

Redemption Fund. On the date specified in the Written Request of the Corporation filed with the Trustee at the time any prepaid Base Rental payment is paid by the City to the Trustee pursuant to the Lease, the Trustee is required to deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental payments designated as prepaid Base Rental payments. Moneys in the Redemption Fund are to be used and withdrawn by the Trustee solely for the purpose of paying the principal of, and the interest on and premium, if any, on the Bonds to be redeemed.

CERTAIN COVENANTS

Under the Indenture, the Corporation covenants faithfully to comply with, keep, observe, and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract or prescribed by any law of the United States of America or the State of California or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including its right to exist and carry on its respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

The Corporation also agrees to keep the Equipment and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which, in the judgment of the Trustee (and its determination thereof shall be final), might embarrass or hamper the City in conducting its business or utilizing the Equipment, and the Trustee at its option (after first giving the Corporation ten days' written notice to comply therewith and failure of the Corporation to so comply within such ten-day period) may defend against any and all actions or proceedings in which the validity of the Indenture is or might be questioned, or may pay or compromise any claim or demand asserted in any such action or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee will not be deemed to have waived or released the Corporation from liability for or on account of any of its agreements and covenants contained in the Indenture or from its liability under the Indenture to defend the validity thereof and to perform such agreements and covenants.

The Corporation agrees so long as any Bonds are outstanding not to create any pledge of or lien on a Base Rental payment other than the pledge and lien of the Indenture. The Corporation further agrees promptly upon request of the Trustee to take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Equipment or any part thereof and to prosecute all actions, suits or other proceedings as may be appropriate for such purpose.

The Indenture requires the Trustee to keep proper records in which complete and correct entries are to be made of all transactions relating to the receipt, deposit and disbursement of the Rental Payments, and such records will be available for inspection by the Corporation, the City or any Owner or agent thereof duly authorized in writing at reasonable hours and under reasonable conditions. Not later than the last day of each month, and continuing so long as any Bonds are outstanding, the Trustee will furnish to the Corporation, the City and any Owner who may so request a complete statement covering the receipts, deposits and disbursements of the Rental Payments for the preceding calendar month.

ACQUISITION OF SOFTWARE

The Indenture provides that the Trustee may not disburse funds from the Acquisition Fund for the acquisition of Integrated Software with respect to a Project financed by a Series of Bonds unless the Trustee receives a written certificate from an authorized officer of the vendor of such Integrated Software substantially in the form attached to the Indenture.

The Indenture also provides that the Trustee may not disburse funds from the Acquisition Fund for the acquisition of software (that does not constitute Integrated Software) with respect to a Project financed with a Series of Bonds, unless the Trustee receives a written certificate from an Authorized Officer of the City to the effect that: (i) the cost of the software is not greater than 75% of the total cost (including software) of the associated Computer System; (ii) the cost of all software that is part of a Project financed with such Series of Bonds is not greater than 20% of the total cost of such Project; and (iii) the useful life of the software is at least as long as the term of the Lease Supplement with respect to the associated Computer System.

With respect to any future Series of Bonds, the provisions of the Indenture concerning the acquisition of software and of Integrated Software and the rights and obligations of the Corporation and the Owners and the Trustee thereunder may be amended or supplemented by an amendment thereof or supplement thereto, which shall become binding upon execution without the written consents of the Owners, but only to the extent permitted by law.

EVENTS OF DEFAULT AND REMEDIES

An Event of Default (as defined under "THE LEASE – Defaults and Remedies" in this APPENDIX D) with respect to any Series of Bonds will not be deemed an Event of Default with respect to any other Series of Bonds, and the rights, remedies and obligations of the Owners and the Trustee under the Indenture resulting from any Event of Default will only pertain to the Series of Bonds with respect to which such Event of Default occurred.

Each Event of Default under the Lease is an "event of default" under the Indenture. See "THE LEASE – Defaults and Remedies" in this APPENDIX D. During the continuance of an Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the applicable Series of Bonds at the time Outstanding are entitled upon notice in writing to the City and the Corporation to exercise the remedies provided to the Corporation in the Lease and to take whatever action at law or in equity may appear necessary to protect and enforce any of the rights vested in the Trustee or in the Owners by the Indenture or by the applicable Series of Bonds. However, under the Indenture the Trustee does not have the remedy to terminate the Lease with respect to any computer software component of the Equipment that does not constitute Integrated Software or the remedy to retake possession of any such software.

Application of Amounts After Default. All payments received by the Trustee with respect to the rental of the Equipment after an Event of Default and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Lease or under the Indenture are required to be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied to the payment of:

(i) all amounts due the Trustee as compensation or reimbursement for advances and expenditures;

(ii) to the Owners entitled thereto their proportionate interest in the interest on the applicable Series of Bonds in the order of the maturity of such interest and, if the amount available is not sufficient to pay in full such amount, then to the payment ratably, according to the amount due to the persons entitled thereto, without any discrimination or privilege;

(iii) to the Owners entitled thereto, the proportionate interest in the unpaid principal of the applicable Series of Bonds which shall have become due and, if the amount available shall not be sufficient to pay the principal in full, then to the payment ratably, according to the amount of principal due, to the persons entitled thereto without any discrimination or privilege; and

(iv) as the same shall become due to the Owners entitled thereto the principal of and interest on the applicable Series of Bonds which may thereafter become due either as scheduled or upon redemption pursuant to the Indenture or to the Lease and, if the amount available is not sufficient to pay in full the principal due on any particular date, payment is to be made ratably according to the amount of principal due on such date to the Owners entitled thereto without any discrimination or privilege.

Limitation on Suits. No Owner has any right to institute any proceedings with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy under the Indenture unless such Owner has previously given written notice to the Trustee of a continuing Event of Default; the Owners of not less than 25% in principal amount of the Outstanding applicable Series of Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee; such Owner or Owners have afforded to the Trustee indemnity reasonably satisfactory to it; the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners of a majority in principal amount of the Outstanding applicable Series of Bonds.

No Waiver. A waiver of any default or breach of duty or contract by the Trustee will not affect any subsequent default or breach of duty or contract or impair any rights or remedies upon any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach will impair any such right or remedy or be construed to be a waiver of any such default or breach or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Indenture may be enforced and exercised from time to time and as often as may be deemed expedient by the Trustee.

AMENDMENTS TO INDENTURE

The Indenture may be amended or supplemented at any time without the consent of any Owners for one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Corporation to be observed or performed or to surrender any right or power reserved in the Indenture or conferred on the Corporation, which in either case will not adversely affect the interests of the Owners; or

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the Corporation may deem desirable or necessary or not inconsistent with the Indenture and which will not materially adversely affect the interests of the Owners; or

(iii) to amend the provisions concerning the acquisition of computer software components, including Integrated Software, with respect to any future Series of Bonds; or

(iv) to provide for the issuance of a Series of Bonds.

The Indenture may be amended or supplemented at any time upon the written consent of the Owners of a majority in aggregate principal amount of the Bonds then outstanding; provided, however, that no such amendment or supplement may (i) extend the maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of such interest or reduce the amount of principal thereof without the prior written consent of the Owner of the Bond so affected, or (ii) reduce the percentage of Owners whose consent is required for the execution of any amendment of or supplement to the Indenture, or (iii) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (iv) amend the provisions of the Indenture relating to amendments or supplements to the Indenture, without the prior written consent of the Owners of all Bonds then outstanding.

DEFEASANCE

If the Owners of all outstanding Bonds of any Series of Bonds are paid the interest thereon and principal thereof at the times and in the manner stipulated in the Indenture and in the Bonds, then such Owners will cease to be entitled to the benefits of the Indenture and all agreements and covenants of the Corporation and the Trustee to such Owners under the Indenture will thereupon cease, terminate and become void and will be discharged and satisfied. Any outstanding Bonds will be deemed to have been paid if there is on deposit with the Trustee moneys or securities described in clauses (1) and (2) of the definition of the term "Permitted Investments" in an amount sufficient (together with the increment, earnings and interest thereon) to pay the principal of and premium, if any, and interest on such Bonds payable at maturity or on prior redemption.

THE TRUSTEE

The Corporation, *provided* that no Event of Default has occurred and is then continuing, or the Owners of a majority in aggregate principal amount of Bonds at the time outstanding, may remove the original Trustee and any successor thereto and may appoint a successor Trustee, but any such successor Trustee must be bank or trust company doing business and having a principal corporate trust office in California, having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 and subject to supervision or examination by federal or state authorities. The Trustee may at any time resign by giving written notice to the Corporation, the City and the Owners. Upon receiving notice of resignation of the Trustee, the Corporation is required promptly to appoint a successor Trustee. Any resignation of any Trustee and appointment of a successor Trustee will become effective only upon acceptance of the appointment by the successor Trustee.

THE LEASE

TERM OF LEASE

Under the Lease, the Corporation leases to the City and the City hires from the Corporation the Equipment to have and to hold for the term of the Lease. The Corporation covenants to provide the City during the term of the Lease with quiet use and possession of the Equipment, and the Corporation subject to the provisions of the Lease has the right at all reasonable times to enter into and upon the property of the City for the purposes of the Lease or for any other lawful purpose.

The term of the Lease with respect to the Equipment commences on the date of initial execution and delivery of the Equipment Lease Supplement and ends on the last date on which a Rental Payment is payable thereunder, unless sooner terminated in accordance with the Lease. The Lease terminates as to all of the Equipment comprising any Project upon the earlier of the following: (i) the payment by the City of all Rental Payments and any other amounts required to be paid by the City with respect to such Project under the Lease; or (ii) the discharge of the City's obligation with respect to such Project under the Lease. In addition, if no Event of Default has occurred and is continuing, the term of the Lease will terminate as to any item of Equipment as of the earlier of the following: (i) the September 30 that next succeeds the date on which the number of years shown as the useful life of such item of Equipment in the Lease has elapsed since the date the City took possession thereof under the Lease, or (ii) the discharge of the City's obligation with respect to such item of Equipment under the Lease. The Lease terminates as to all of the Equipment upon the occurrence of an Event of Default under the Lease and the Corporation's election to terminate the Lease.

MAINTENANCE OF EQUIPMENT

Under the Lease, the City agrees that at all times during the term of the Lease, it will at its own cost and expense, maintain, preserve and keep the Equipment in good repair, working order and condition and will from time to time make or cause to be made all necessary and proper repairs.

INSURANCE

Under the Lease, the City is required to carry and maintain the following types of insurance with respect to the Equipment during the term of the Lease:

(i) insurance against rental interruption or loss of use and possession of the Equipment in an amount not less than the total Rental Payments payable by the City with respect to the Equipment for a period of at least twelve months;

(ii) insurance against fire, lightning and extended coverage, theft, vandalism and malicious mischief and flood insurance on the Equipment in an amount equal to the lesser of the full replacement value of the Equipment or the aggregate principal amount of the Series 2012A Bonds Outstanding (subject to certain deductibles);

(iii) workers' compensation insurance covering all of the City's employees working, in, near or about the Equipment, in the same amount and type as other workers' compensation maintained by the City for similar employees doing similar work;

(iv) standard comprehensive general liability insurance or the equivalent covering direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the possession, operation or use of the Equipment, with minimum liability limits of $1,000,000 for personal injury or death of each person and $2,000,000 for personal injury or death of two or more persons in each event, and in a minimum amount of $200,000 (subject to a deductible not to exceed $5,000) for property damage; and

(v) standard automobile liability insurance covering direct or contingent loss or liability for damages for injury, death or property damage occasioned by reason of the possession, operation or use of the Equipment, with minimum liability limits and maximum deductibles as described in (iv) above.

The City is not required to obtain the coverages described in clauses (i), (ii) or (v) above for any item of Equipment until the date the Equipment is acquired under the Lease. The coverages described in clauses (iv) and (v) above may each be in the form of a $2,000,000 single limit policy covering all such risks and may be maintained as part of or in conjunction with any other liability insurance carried by the City. The Lease permits the City to provide a self insurance method or plan of protection in lieu of any of the insurance described in clauses (iii) through (v) above, but only if the City obtains and provides the Trustee and the Corporation with a certificate of the Risk Manager of the City to the effect that such method or plan (and the amount contained in the related self insurance fund) is reasonably sufficient to provide coverage in the same scope and amount. The City must obtain a new certificate of the Risk Manager for each twelve-month period. Amounts paid from any self-insurance method or plan are deemed insurance proceeds for purposes of the Lease and the Indenture. Net Proceeds of the insurance described in clause (i) above are required to be applied to the payment of Rental Payments and Net Proceeds of insurance described in clause (ii) above are required to be applied as described below under "– Damage, Destruction and Condemnation."

GOVERNMENTAL CHARGES AND UTILITY CHARGES

The Corporation and the City expect that the Equipment will be used for governmental purposes of the City and therefore that the Equipment will be exempt from all taxes presently assessed and levied with respect to real and personal property. In the event that the use, possession or acquisition by the City or the Corporation of the Equipment is determined to be subject to taxation in any form (except for income or franchise taxes of the Corporation) the City agrees to pay during the term of the Lease all taxes and governmental charges of any kind that may at any time be lawfully assessed or levied with respect to the Equipment and any substitutions, modifications, improvements or additions thereto, as well as utility charges incurred in the operation, maintenance, use and upkeep of the Equipment.

DAMAGE, DESTRUCTION AND CONDEMNATION

During the term of the Lease, if the Equipment or any portion thereof is damaged, destroyed (in whole or part), stolen or otherwise unlawfully removed from the possession of the City, the City and the Corporation agree to cause the Net Proceeds of any insurance claim to be applied to the prompt repair, restoration or replacement of the damaged, destroyed or stolen Equipment. Any balance of the Net Proceeds after such work has been completed will be paid to the City. Alternatively, the City with the written consent of the Corporation, may elect to cause the Net

Proceeds of insurance to be used for the redemption of outstanding Series 2012A Bonds issued to finance the damaged, destroyed or stolen Equipment; provided that the Net Proceeds together with any other moneys then available therefor are at least sufficient to prepay that portion of the Base Rental attributable to the destroyed, damaged or stolen Equipment.

If any Project, or any portion of any Project as to render the remainder unusable for the purposes for which it was used or intended to be used, shall be taken under the power of eminent domain, the Lease will terminate with respect to such Project. The Lease requires the City to take or cause to be taken such action as is reasonably necessary to obtain compensation at least equal to the value of the Equipment or portion thereof taken by eminent domain, and all condemnation proceeds are to be transferred to the Redemption Fund and applied to the redemption of the Series 2012A Bonds issued to finance such Project. If part of any Project shall be taken under the power of eminent domain and the remainder is usable for the purposes for which it was used at the time of such taking, then the Lease will continue in full force and effect with respect to the remainder, and there will be a partial abatement of the Base Rental in an amount equal to the proportion which the value of that portion of the Project taken bears to the fair rental value of the whole of the Project. The fair rental value of any Project after such a taking will be equal to the Base Rental payments due under the Lease reduced by the application of all or any part of any award in eminent domain that is used to redeem outstanding Series 2012A Bonds pursuant to the Indenture.

DEFAULTS AND REMEDIES

Notwithstanding any other provision of the Lease, with respect to any Project financed with a Series of Bonds: (1) the provisions of the Lease with respect to such Project will be deemed to be a separate lease of such Project; (2) any Event of Default under the Lease with respect to a Project will only affect such Project; and (3) any remedy exercised under the Lease with respect to an Event of Default will be limited to the Project with respect to which the Event of Default occurred.

Each of the following is an "Event of Default" under the Lease:

(1) the City shall fail to pay any Rental Payment when the same becomes due and payable;

(2) the City shall fail to keep, observe or perform any other term, covenant or condition contained in the Lease and such failure shall have continued for 30 days or more;

(3) the City's interest in the Lease or any part thereof is assigned or transferred without the written consent of the Corporation;

(4) the occurrence and continuance of certain bankruptcy or insolvency proceedings or the appointment of a receiver for the City, or of all or substantially all of its assets; or

(5) the City shall abandon or vacate any part of the Equipment under the Lease.

Upon the occurrence of an Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease. In addition, the Trustee may terminate the Lease and retake possession of the Equipment, except with respect to any computer software components of the Equipment that does not constitute Integrated Software. No termination of the Lease on account of default by the City will be effective unless and until the Trustee gives written notice to the City of the Trustee's election to terminate the Lease. The Trustee may also collect each installment of Rental Payments as it becomes due and enforce any other term or provision of the Lease or exercise any and all rights to retake possession of the Equipment without terminating the Lease, although the Trustee may not retake possession of any computer software components of the Equipment that does not constitute Integrated Software. If the Trustee does not terminate the Lease, the City will remain liable and agrees in the Lease to keep or perform all covenants and conditions contained in the Lease to be kept or performed by the City and, if the Equipment is not relet, to pay the full amount of the rent to the end of the term of the Lease or, in the event the Equipment is relet, to pay any deficiency in Rental Payments that results therefrom; and further agrees to pay the Rental Payments and/or deficiency notwithstanding the fact that the Trustee may have received in previous years or may receive thereafter Rental Payments in excess of the Rental Payments specified in the Lease and notwithstanding any retaking of possession of the Equipment by the Trustee.

ADDITIONAL PROJECTS

The Lease permits the supplementation or amendment thereof to allow the financing of additional Projects by the execution and delivery of a Lease Supplement. Each Lease Supplement must be approved by the City and the Corporation and no Lease Supplement will be effective unless the total amount of Bonds outstanding after the issuance of the Series of Bonds secured by the Base Rental payments to be made pursuant to such Lease Supplement does not exceed the maximum amount of indebtedness permitted to be outstanding at such time pursuant to the Charter of the City.

TRIPLE NET LEASE

The Lease is a triple net lease and the City agrees under the Lease that each Rental Payment is to be an absolute net return to the Corporation, free and clear of any expenses, charges or set offs whatsoever.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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 by the City and County of San Francisco Finance Corporation (the "Issuer") of its City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2012A (Equipment Program) (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented as of May 1, 2012, between the Issuer and U.S. Bank National Association, as trustee (the "Trustee") (as amended and supplemented, the "Indenture").

The City hereby covenants 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 (defined below) in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 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) 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 S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is June 30), commencing with the report for the 2011-12 Fiscal Year (which is due not later than March 27, 2013), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

1. the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities;

2. The amount of Bonds outstanding under the Indenture, and the balance of the Reserve Fund.

3. The status of the acquisition of the Equipment, to be provided until completion of the Project financed with the Bonds.

4. Summaries of the following:
   a. budgeted general fund revenues and appropriations;
   b. assessed valuation of taxable property in the City; and
   c. ad valorem property tax levy and delinquency rate.

5. A schedule of the aggregate annual debt service on tax-supported indebtedness of the City and a summary of authorized, but unissued, tax-supported indebtedness of the City.

6. A schedule of lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and certificates of participation.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies;
(2) Nonpayment related defaults, if material;
(3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) Modifications to the rights of Bondholders, if material;
(8) Bond calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) Consummation of a merger, consolidation or acquisition involving an obligated person of the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(14) Appointment of a successor or additional trustee or the change of name of a trustee.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 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(b).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 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 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: May 9, 2012

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 Finance Corporation Lease Revenue Bonds, Series 2012A (Equipment Program)
Date of Delivery:	May 9, 2012

NOTICE IS HEREBY GIVEN 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 the Date of Delivery. The City anticipates that the Annual Report will be filed by _____________.

Dated:_______________

CITY AND COUNTY OF SAN FRANCISCO

By:_____[to be signed only if filed]___________
Title____________________________________

cc: City and County of San Francisco
Finance Corporation

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-11 of this Appendix F, concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the Corporation takes no responsibility for the completeness or accuracy thereof. The Corporation cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the 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 Corporation, and "Agent" means the Paying Agent.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an

authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX G

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

[Date of Closing]

City and County of San Francisco
Finance Corporation
San Francisco, California

City and County of San Francisco
San Francisco, California

We have acted as co-bond counsel to our clients the City and County of San Francisco Finance Corporation (the "Corporation") and the City and County of San Francisco (the "City"), and not as counsel to any other person, in connection with the issuance by the Corporation of its $9,815,000 aggregate principal amount of City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2012A (the "Bonds"), dated the date of this letter.

The Bonds are issued pursuant to a Resolution adopted by the Corporation on March 12, 2012 and an Indenture, dated as of January 1, 1991, by and between the Corporation and U.S. Bank National Association, successor by merger to U.S. Bank Trust National Association, as trustee (the "Trustee"), as amended and restated as of October 15, 1998, and as supplemented by the Nineteenth Supplemental Indenture, dated as of May 1, 2012, by and between the Corporation and the Trustee (collectively, the "Indenture"). Capitalized terms not otherwise defined in this letter are used as defined in the Indenture.

In our capacity of co-bond counsel, we have examined the transcript of proceedings relating to the issuance of the Bonds, an authenticated Bond of the first maturity, the Indenture, the Equipment Lease, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by Equipment Lease Supplement No. 18, dated as of May 1, 2012 (collectively, the "Equipment Lease"), between the City and the Corporation, and such other documents, matters and law as we deemed necessary to render the opinions set forth in this letter.

Based upon that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Bonds constitute the valid and binding limited obligations of the Corporation.

2. The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the Corporation.

3. The Equipment Lease has been duly authorized, executed and delivered by the City and the Corporation and constitutes the valid and binding obligation of the City and of the Corporation, respectively. The obligation of the City to make the Rental Payments during the term of the Equipment Lease constitutes a valid and binding obligation of the City, payable from funds of the City lawfully available therefor, and does not constitute a debt of the City or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, portions of the interest the Bonds earned by certain corporations may be subject to a corporate alternative minimum tax. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Corporation and City and (iii) the correctness of the legal conclusions contained in the legal opinion letters of counsel to the City and to the Corporation delivered in connection with this matter.

In rendering those opinions with respect to treatment of the interest on the Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Corporation and City. Failure to comply with certain of those covenants subsequent to issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and Equipment Lease are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against charter cities and counties and non-profit public benefit corporations in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence, nor do we express any opinion with respect to the status or quality of title to, or interest in, any of the personal property described in or subject to the Equipment Lease, or the accuracy or sufficiency of the description of any such property contained therein, or the priority of, or the remedies available to enforce, any pledge, lien or security interest in any such assets.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as co-bond counsel with respect to the Bonds has concluded on this date.

Respectfully submitted,