NEW ISSUE – BOOK-ENTRY ONLY

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

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

$70,640,000
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2020-R1
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

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

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

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

The certificates of participation captioned above (the "Certificates") will be sold to provide funds to: (i) prepay certain outstanding certificates of participation (as further described herein, the "Prior Certificates") of the City and County of San Francisco (the "City"), the proceeds of which prepaid certain certificates of participation of the City that financed various capital projects of the City; and (ii) pay costs of execution and delivery of the Certificates. See "PLAN OF FINANCE AND THE LEASED PROPERTY" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Certificates are executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2009, as previously supplemented and amended and as supplemented and amended by the Fourth Supplement to Trust Agreement, dated as of November 1, 2020 (as supplemented and amended, the "Trust Agreement"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), and in accordance with the Charter of the City (the "Charter"). See "THE CERTIFICATES – Authority for Execution and Delivery." The Certificates evidence the principal and interest components of the Base Rental payable by the City pursuant to a Project Lease, dated as of May 1, 2009, as previously supplemented and amended and as supplemented and amended by that certain Fourth Supplement to Project Lease, dated as of November 1, 2020 (as so supplemented and amended, the "Project Lease"), by and between the Trustee, as lessor, and the City, as lessee. The City has covenanted in the Project Lease to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments in its annual budget, and to make necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Covenant to Budget." The obligation of the City to pay Base Rental is in consideration for the use and occupancy of the site and facilities subject to the Project Lease (as further described herein, the "Leased Property"), and such obligation may be abated in whole or in part if there is substantial interference with the City's use and occupancy of the Leased Property. See "CERTAIN RISK FACTORS – Abatement." The Leased Property generally consists of (i) certain portions of the City's Laguna Honda Hospital, as further described herein, and (ii) the San Bruno Complex (County Jail No. 3), as further described herein. See "PLAN OF FINANCE AND THE LEASED PROPERTY" herein.

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

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

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

The Certificates were sold by competitive sale on October 14, 2020, pursuant to the terms of an Official Notice of Sale Inviting Bids dated October 8, 2020. See "SALE OF THE CERTIFICATES" herein.

MATURITY SCHEDULE
(See inside cover)

The Certificates are offered when, as and if executed and received by the Purchaser, subject to the approval of the validity of the Project Lease by Squire Patton Boggs (US) LLP, San Francisco, California and the Law Office of Monica M. Baranovsky, Berkeley, California, Co-Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Co-Disclosure Counsel. It is expected that the Certificates in book-entry form will be available for delivery through DTC on or about November 3, 2020.

Dated: October 14, 2020.

MATURITY SCHEDULE

(Base CUSIP[1] Number: 79765D)

Certificate Payment Date (October 1)	Principal Amount	Interest Rate	Yield[2]	CUSIP[1] Suffix
2021	$3,235,000	5.000%	0.140%	3K4
2022	4,620,000	5.000	0.150	3L2
2023	4,850,000	5.000	0.180	3M0
2024	4,680,000	5.000	0.240	3N8
2025	4,920,000	5.000	0.350	3P3
2026	5,175,000	5.000	0.520	3Q1
2027	5,435,000	5.000	0.670	3R9
2028	5,720,000	5.000	0.810	3S7
2029	5,980,000	4.000	1.000[(c)]	3T5
2030	6,225,000	4.000	1.110[(c)]	3U2
2031	6,450,000	3.000	1.340[(c)]	3V0
2032	6,610,000	2.000	1.600[(c)]	3W8
2033	6,740,000	2.000	1.700[(c)]	3X6

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

[2] Reoffering yields furnished by the Purchaser. The City takes no responsibility for the accuracy thereof.

[(c)] Yield calculated to the first optional redemption date of October 1, 2028 at par.

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

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

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

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

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

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

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

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

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

London N. Breed

BOARD OF SUPERVISORS

Norman Yee, *Board President, District 7*

Sandra Lee Fewer, *District 1*
Catherine Stefani, *District 2*
Aaron Peskin, *District 3*
Gordon Mar, *District 4*
Dean Preston, *District 5*
Matt Haney, *District 6*
Rafael Mandelman, *District 8*
Hillary Ronen, *District 9*
Shamann Walton, *District 10*
Ahsha Safai, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *City Administrator*
Benjamin Rosenfield, *Controller*
Anna Van Degna, *Director, Controller's Office of Public Finance*

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San Francisco, California

Law Office of Monica M. Baranovsky
Berkeley, California

Municipal Advisor

KNN Public Finance, LLC
Berkeley, California

Co-Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

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

Trustee

U.S. Bank National Association
San Francisco, California

TABLE OF CONTENTS

Page

INTRODUCTION 1
THE CITY AND COUNTY OF SAN FRANCISCO 2
THE CERTIFICATES 4
Authority for Execution and Delivery 4
Payment of Principal and Interest 5
Form and Registration 5
Prepayment of the Certificates 6
PLAN OF FINANCE AND THE LEASED PROPERTY 7
Prepayment of Prior Certificates 7
The Leased Property 8
ESTIMATED SOURCES AND USES OF FUNDS 10
CERTIFICATE PAYMENT SCHEDULE 11
SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES 12
Source of Payment 12
Parity Obligations 12
Covenant to Budget and Right to Re-let 12
Limited Obligation 13
Base Rental Payments; Additional Rental 13
Abatement of Base Rental Payments 14
No Reserve Account 14
Replacement, Maintenance and Repairs 14
Insurance with Respect to the Leased Property 15
Eminent Domain 16
Substitution, Release, and Addition of Leased Property 16
Additional Certificates 17
CERTAIN RISK FACTORS 17
Rental Payments Not a Debt of the City 17
Additional Obligations 17
Abatement 18
Limited Recourse on Default; Re-letting of the Leased Property 19
Enforcement of Remedies 19
No Acceleration on Default 20
Release and Substitution of the Leased Property 20
Bankruptcy 20
City Long-Term Financial Challenges 21
Seismic Risks 22
Climate Change, Risk of Sea Level Rise and Flooding Damage 24
Cybersecurity 26
Public Health Emergencies 26
Other Events 27
Risk Management and Insurance 28
State Law Limitations on Appropriations 28
Changes in Law 28
State of California Financial Condition 29
U.S. Government Finances 29
Other 29
TAX MATTERS 30
Risk of Future Legislative Changes and/or Court Decisions 31
Original Issue Discount and Original Issue Premium 31
OTHER LEGAL MATTERS 32

Page

PROFESSIONALS INVOLVED IN THE OFFERING 33
CONTINUING DISCLOSURE 33
ABSENCE OF LITIGATION 34
VALIDATION ACTION 34
RATINGS 34
SALE OF THE CERTIFICATES 34
MISCELLANEOUS 35

APPENDICES

APPENDIX A – CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES A-1

APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2019 ..... B-1

APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS C-1

APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE D-1

APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM E-1

APPENDIX F – PROPOSED FORM OF CO-SPECIAL COUNSEL OPINIONS F-1

APPENDIX G – CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY G-1

OFFICIAL STATEMENT

$70,640,000
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2020-R1
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

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

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the offering by the City and County of San Francisco (the "City") of its City and County of San Francisco Refunding Certificates of Participation, Series 2020-R1 (Multiple Capital Improvement Projects) (the "Certificates"). Any capitalized term not defined herein will have the meaning given to such term in Appendix C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Definitions of Certain Terms." The references to any legal documents, instruments and the Certificates in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions.

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

Overview of the Transaction. The City, exercising its Charter powers to convey and lease property for City purposes, has conveyed the Leased Property (as defined hereafter) to U.S. Bank National Association, as trustee (the "Trustee") under the Property Lease (the "Original Property Lease"), dated as of May 1, 2009, by and between the City, as lessor, and the Trustee, as lessee, as previously supplemented and amended and as supplemented and amended by that certain Fourth Supplement to Property Lease (the "Fourth Supplement to Property Lease"), dated as of November 1, 2020 (as so supplemented and amended, the "Property Lease"), at a nominal annual rent. The Trustee has leased the Leased Property back to the City for the City's use under the Project Lease (the "Original Project Lease"), dated as of May 1, 2009, by and between the Trustee, as lessor, and the City, as lessee, as previously supplemented and amended and as supplemented and amended by that certain Fourth Supplement to Project Lease (the "Fourth Supplement to Project Lease"), dated as of November 1, 2020 (as so supplemented and amended, the "Project Lease"). The Leased Property generally consists of (i) certain portions of the City's Laguna Honda Hospital, and (ii) the San Bruno Complex (County Jail No. 3), each as further described herein. See "PLAN OF FINANCE AND THE LEASED PROPERTY." The City will be obligated under the Project Lease to pay Base Rental payments and other payments to the Trustee each year during the term of the Project Lease (subject to certain conditions under which Base Rental may be "abated" as discussed herein). Each payment of Base Rental will consist of principal and interest components, and when received by the Trustee in each rental period, will be deposited in trust for payment of the Certificates. The Trustee will create the "certificates of participation" in the Project Lease, representing proportional interests in the principal and interest components of Base Rental it will receive from the City. The Trustee will apply Base Rental it receives to pay principal and interest with respect to each Certificate when due according to the Trust Agreement (the "Original Trust Agreement"), dated as of May 1, 2009, by and between the City and the Trustee, as previously supplemented and amended and as supplemented and amended by that certain Fourth Supplement to Trust Agreement (the "Fourth Supplement to Trust Agreement"), dated as of November 1, 2020 (as so supplemented and amended, the "Trust Agreement"), which governs the security and terms of payment of the Certificates. The money received from the sale of the Certificates will be applied by the Trustee, at the City's direction, to (i) prepay certain outstanding certificates of participation (as further described herein, the "Prior Certificates") of the City, the proceeds of which prepaid

certain certificates of participation of the City that financed various capital projects of the City; and (ii) pay costs of execution and delivery of the Certificates. See "PLAN OF FINANCE AND THE LEASED PROPERTY" herein.

The Certificates are being delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property on a parity basis with (i) all of the $42,835,000 City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects) (the "2012A Certificates"), currently outstanding in the aggregate principal amount of $32,580,000, and (ii) all of the $116,460,000 City and County of San Francisco Refunding Certificates of Participation Series 2019-R1 (Multiple Capital Improvement Projects) (the "2019-R1 Certificates"), currently outstanding in the aggregate principal amount of $107,005,000. On October 11, 2019, the City authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $156,600,000. On December 20, 2019, the City further authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $83,600,000. The City may decide not to have the Additional Certificates authorized on October 11, 2019 and December 20, 2019 issued and delivered in whole or in part. The City may also authorize the execution and delivery of other Additional Certificates in the future.

Guide to this Official Statement. The facilities constituting the Leased Property are described herein in the section "PLAN OF FINANCE AND THE LEASED PROPERTY." The application of the proceeds of sale of the Certificates is described in the sections "PLAN OF FINANCE AND THE LEASED PROPERTY" and "ESTIMATED SOURCES AND USES OF FUNDS." The terms of the Certificates and repayment thereof and security for the Certificates are described in the sections "THE CERTIFICATES," "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES," and other sections in the front portion of this Official Statement. 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 Project Lease, the Property Lease, and the Trust Agreement are provided in Appendix C.

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

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

THE CITY AND COUNTY OF SAN FRANCISCO

General. The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north,

and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour's drive to the north. The City estimates the City's population in fiscal year 2018-19 to be 887,463.

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

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

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

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

The City benefits from a highly skilled, educated and professional labor force. The City estimates the per-capita personal income of the City for fiscal year 2018-19 to be $130,961. The San Francisco Unified School District ("SFUSD"), which is a separate legal entity from the City, operates 14 transitional kindergarten ("TK") schools, 64 elementary schools serving grades TK-5, 8 schools serving grades TK-8, 13 middle schools serving grades 6-8, 15 high schools serving grades 9-12, 12 early education schools, and 14 active charter schools authorized by SFUSD. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, is owned by the City and is operated by the San Francisco Airport Commission (the "Airport Commission"), and is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific Rim traffic. In fiscal year 2018-19, SFO serviced approximately 57 million passengers and handled 564,521 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District ("BART," an electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway ("Muni"), operated by the San Francisco Municipal Transportation Agency ("SFMTA"), provides bus and streetcar service within the City. The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, and natural resource protection.

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

More detailed information about the City's governance, organization and finances may be found in Appendix A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

THE CERTIFICATES

Authority for Execution and Delivery

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

The Original Trust Agreement, the Original Property Lease, and the Original Project Lease were approved by the Board of Supervisors of the City by its Resolution No. 351-08, adopted on July 29, 2008 and signed by the Mayor on August 5, 2008. The Fourth Supplement to Trust Agreement and the Fourth Supplement to Project Lease were approved by the Board of Supervisors of the City by its Ordinance No. 177-20, adopted on September 29, 2020 and signed by the Mayor on October 1, 2020 (the "Ordinance"). The Ordinance authorized the execution and delivery of up to $97,500,000 aggregate principal amount of the Certificates under the Trust Agreement. Under Section 9.108 of the Charter of the City, the City is authorized to enter into lease-financing agreements with a public agency or nonprofit corporation only with the assent of the majority of the voters voting upon a proposition for the purpose. The lease-financing arrangements with the Trustee for the Certificates do not fall under this provision, since the Trustee is neither a public agency nor a nonprofit corporation. The City has obtained a judgment in the Superior Court for the City and County of San Francisco validating the Original Project Lease, the Original Property Lease, the Original Trust Agreement

and certain other matters. No judicial validation action has been pursued or is expected to be pursued with respect to the validity of the Fourth Supplement to Project Lease, the Fourth Supplement to Property Lease, or the Fourth Supplement to Trust Agreement. See "VALIDATION ACTION" herein.

Payment of Principal and Interest

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

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

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

Form and Registration

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

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

Prepayment of the Certificates

Optional Prepayment

The Certificates with a Certificate Payment Date on or before October 1, 2028 will not be subject to optional prepayment prior to their respective stated Certificate Payment Dates. The Certificates with a Certificate Payment Date on or after October 1, 2029 are subject to optional prepayment prior to their respective Certificate Payment Dates in whole or in part on any date on or after October 1, 2028, at the option of the City, in the event the City exercises its option under the Project Lease to prepay the principal component of the Base Rental payments, at a prepayment price equal to 100% of the principal amount represented by the Certificates to be prepaid plus accrued interest to the date fixed for prepayment, without premium.

Special Mandatory Prepayment

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

Selection of Certificates for Prepayment

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

Notice of Prepayment

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

Each notice of prepayment will specify: (i) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid, (ii) the date of prepayment, (iii) the place or places where the prepayment will be made, including the name and address of the Trustee, (iv) the prepayment price, (v) the CUSIP numbers (if any) assigned to the Certificates to be prepaid, (vi) the Certificate numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid, and (vii) the original issue date and stated Certificate Payment Date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice will further state that on the specified date there will become due and payable with respect to each Certificate or portion thereof being prepaid the prepayment price, together with interest represented thereby accrued but unpaid to the prepayment date, and that from and after such date, if sufficient funds are available for

prepayment, interest with respect thereto will cease to accrue and be payable. Neither failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such prepayment.

Conditional Notice of Prepayment; Cancellation of Optional Prepayment

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

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

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

Purchase of Certificates

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

PLAN OF FINANCE AND THE LEASED PROPERTY

The Certificates are being delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property on a parity basis with all of the 2012A Certificates, currently outstanding in the aggregate principal amount of $32,580,000, and the 2019-R1 Certificates, currently outstanding in the aggregate principal amount of $107,005,000.

Prepayment of Prior Certificates

A portion of the proceeds of the Certificates will be used to prepay all of the City's Refunding Certificates of Participation, Series 2010A, currently outstanding in the aggregate principal amount of $85,790,000 (the "Prior Certificates"). The proceeds of the Prior Certificates were used to prepay certain certificates of participation of the City that financed various capital improvements of the City, including the replacement and construction of San Bruno Complex (County Jail No. 3), which, upon the Fourth Supplemental Property Lease becoming effective, will be part of the Leased Property.

The funds required to prepay the Prior Certificates will come from the net proceeds of the Certificates and the transfer of certain funds related to the Prior Certificates. The City plans to prepay the Prior Certificates on or about the Closing Date.

A portion of the proceeds of the Certificates will also be used to pay costs in connection with the execution and delivery of the Certificates.

See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Leased Property

The Leased Property will generally consist of the site and facilities of (i) the Pavilion building (formerly known as the Link building) and the North Residence building (formerly known as the East Residence building) on the campus of Laguna Honda Hospital, together with certain limited rights of ingress and egress and appurtenant rights, and (ii) the San Bruno Complex (County Jail No. 3).

Laguna Honda Hospital was established in 1866 as an almshouse for the City's poor and homeless. Laguna Honda Hospital is located at 375 Laguna Honda Boulevard in the City, and is operated by the City's Department of Public Health. In 2009, the City completed its Laguna Honda Hospital Replacement Program which included the construction of the Pavilion Building, the North Residence building and the South Residence building (the South Residence building is currently not part of the Leased Property). Together, they provide approximately 780 residents with long-term care regardless of their ability to pay, including skilled nursing, AIDS and dementia services, hospice, rehabilitation and acute care. The City also provides adult day health care and senior nutrition programs through this facility. The 62-acre site is on property owned by the City and located on the western slopes of Twin Peaks, near the geographic center of the City.

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

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

Certain information regarding the Leased Property is summarized below:

Summary of Certain Information Regarding the Leased Property

Facility	Address	Completion Date of Improvements	Gross Square Feet (Building)	Estimated Value[1]
Laguna Honda Hospital (North Residence & Pavilion Building)	375 Laguna Honda Blvd., San Francisco, CA	2009	356,416	$560,000,000[2]
San Bruno Complex (County Jail No. 3)	1 Moreland Drive, San Bruno, CA	2005	283,257	$178,436,701[3]

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

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

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

Source: City and County of San Francisco.

The Project Lease will require the City to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required) with respect to the San Bruno Complex (County Jail No. 3) property, which policy, when combined with the policy of title insurance issued in connection with the issuance and delivery of the 2019-R1 Certificates (and the property associated with the Pavilion building (formerly known as the Link building) and the North Residence building (formerly known as the East Residence building) on the campus of Laguna Honda Hospital), will be in an aggregate amount at least equal to the initial aggregate principal amount of the Certificates and the then-outstanding aggregate principal amounts of the 2012A Certificates and the 2019-R1 Certificates, inclusive, and showing a leasehold interest in the San Bruno Complex (County Jail No. 3) property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Certificates and such outstanding 2012A Certificates and 2019-R1 Certificates. See Appendix C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Insurance" and "– Fourth Supplement to Project Lease."

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

The lease term with respect to the Leased Property or a designated portion thereof will end on April 1, 2036, unless such term is extended or sooner terminated as provided in the Project Lease.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Certificate Par Amount	$70,640,000.00
Original Issue Premium	11,861,829.55
Release from Prior Certificates Funds	4,636,200.00
Total Sources	$87,138,029.55
Uses of Funds:	
Prepayment of Prior Certificates[1]	$86,146,355.57
Costs of Delivery[2]	991,673.98
Total Uses	$87,138,029.55

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(1) Such amount will be applied to prepay the Prior Certificates on the date of delivery of the Certificates. See "PLAN OF FINANCE AND THE LEASED PROPERTY."

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

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CERTIFICATE PAYMENT SCHEDULE

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

The 2012A Certificates and the 2019-R1 Certificates are currently outstanding and payable from Base Rental payments required to be made with respect to the Leased Property under the Project Lease. The following table shows total annual debt service payments due with respect to the Certificates, and the outstanding 2012A Certificates and the 2019-R1 Certificates secured by Base Rental payments under the Project Lease:

	Certificates				
Payment Date	**Principal**	**Interest**	**Total**	**2012A and 2019-R1 Certificates**	**Total Annual Debt Service**
4/1/2021	–	–	–	$11,400,693.75	$11,400,693.75
10/1/2021	$3,235,000	$2,624,410	$5,859,410	2,649,693.75	–
4/1/2022	–	1,359,350	1,359,350	11,609,693.75	21,478,147.50
10/1/2022	4,620,000	1,359,350	5,979,350	2,433,643.75	–
4/1/2023	–	1,243,850	1,243,850	11,828,643.75	21,485,487.50
10/1/2023	4,850,000	1,243,850	6,093,850	2,207,018.75	–
4/1/2024	–	1,122,600	1,122,600	12,052,018.75	21,475,487.50
10/1/2024	4,680,000	1,122,600	5,802,600	1,969,493.75	–
4/1/2025	–	1,005,600	1,005,600	12,274,493.75	21,052,187.50
10/1/2025	4,920,000	1,005,600	5,925,600	1,729,568.75	–
4/1/2026	–	882,600	882,600	12,519,568.75	21,057,337.50
10/1/2026	5,175,000	882,600	6,057,600	1,468,943.75	–
4/1/2027	–	753,225	753,225	12,763,943.75	21,043,712.50
10/1/2027	5,435,000	753,225	6,188,225	1,205,468.75	–
4/1/2028	–	617,350	617,350	13,045,468.75	21,056,512.50
10/1/2028	5,720,000	617,350	6,337,350	958,893.75	–
4/1/2029	–	474,350	474,350	13,253,893.75	21,024,487.50
10/1/2029	5,980,000	474,350	6,454,350	754,218.75	–
4/1/2030	–	354,750	354,750	13,444,218.75	21,007,537.50
10/1/2030	6,225,000	354,750	6,579,750	558,606.25	–
4/1/2031	–	230,250	230,250	13,648,606.25	21,017,212.50
10/1/2031	6,450,000	230,250	6,680,250	340,406.25	–
4/1/2032	–	133,500	133,500	4,595,406.25	11,749,562.50
10/1/2032	6,610,000	133,500	6,743,500	273,868.75	–
4/1/2033	–	67,400	67,400	4,663,868.75	11,748,637.50
10/1/2033	6,740,000	67,400	6,807,400	203,787.50	–
4/1/2034	–	–	–	4,738,787.50	11,749,975.00
10/1/2034	–	–	–	131,200.00	–
4/1/2035	–	–	–	4,816,200.00	4,947,400.00
10/1/2035	–	–	–	53,400.00	–
4/1/2036	–	–	–	2,723,400.00	2,776,800.00
Total	$70,640,000	$19,114,060	$89,754,060	$176,317,118.75	$266,071,178.75

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Source of Payment

The Certificates will evidence and represent proportionate interests in the Base Rental payments required to be made by the City to the Trustee under the Project Lease so long as the City has use and occupancy of the Leased Property. The Project Lease has a final termination date of April 1, 2036, or upon early payment of all of the certificates of participation executed and delivered under the Trust Agreement, including the Certificates, unless extended upon an event of abatement. See "Abatement of Base Rental Payments" below.

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

Parity Obligations

The Certificates are being delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property on a parity basis with the 2012A Certificates and the 2019-R1 Certificates described above under the captions "PLAN OF FINANCE AND THE LEASED PROPERTY – Prepayment of Prior Certificates" and "CERTIFICATE PAYMENT SCHEDULE," and any Additional Certificates that may hereafter be issued pursuant to the requirements set forth in the Trust Agreement and the Project Lease. On October 11, 2019, the City authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $156,600,000. On December 20, 2019, the City further authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $83,600,000. The City may decide not to issue and deliver in whole or in part the Additional Certificates that were authorized on October 11, 2019 and December 20, 2019. The City may also authorize the execution and delivery of other Additional Certificates in the future.

Covenant to Budget and Right to Re-let

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

If the City breaches its covenant in the Project Lease to include all Rental Payments in the applicable annual budget and the City fails to remedy such breach with all reasonable dispatch within 60 days after written notice from the Trustee, or if such breach cannot be remedied within such 60-day period, the City fails to institute corrective action within such 60 day period and diligently pursue such action to completion, the Trustee may either re-let the Leased Property for the account of the City or may retain the Project Lease and hold the City liable for all Rental Payments on an annual basis. Notwithstanding any other provision of the Project Lease or the Trust Agreement, in no event will the Trustee have any right to accelerate the payment of any Base Rental under the Project Lease, and the remedy to re-let the Leased Property is subject to applicable

laws regarding the use of the Leased Property, including but not limited to applicable laws relating to the use of property financed with general obligation bonds or federal or State grants. See "CERTAIN RISK FACTORS – Limited Recourse on Default; Re-letting of the Leased Property."

The obligation of the City to make Rental Payments is an obligation payable from any legally available funds of the City. For a discussion of the budget and finances of the City, see Appendix A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Budget" and Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2019." For a discussion of the City's investment policy regarding pooled cash, see Appendix G: "CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY."

Limited Obligation

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

Base Rental Payments; Additional Rental

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

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

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

Abatement of Base Rental Payments

Rental Payments will be subject to abatement during any period in which there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, or due to defects in title to the Leased Property, or any portion thereof, except to the extent of (i) available amounts held by the Trustee in the Base Rental Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for Rental Payments or to the Trustee for payments in respect of the Certificates. The amount of annual rental abatement will be such that the resulting Rental Payments in any Project Lease Year during which such interference continues, excluding amounts described in clauses (i), (ii) and (iii) above, do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference. Abatement will commence with such damage, destruction, condemnation or discovery of such title defect and end with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect, as applicable. In the event of abatement, the term of the Project Lease may be extended until all amounts due under the Project Lease and the Trust Agreement are fully paid, but in no event later than April 1, 2046. See "CERTAIN RISK FACTORS – Abatement."

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

No Reserve Account

No Reserve Account will be established for the Certificates. The Trust Agreement allows a Reserve Account to be established for Additional Certificates. See "Additional Certificates" below. The City has established a Reserve Account for the 2012A Certificates (the "2012A Reserve Account"); however, such 2012A Reserve Account is not available for the payment of Base Rental payments due with respect to the Certificates.

Replacement, Maintenance and Repairs

The Project Lease requires the City, at its own expense and as determined and specified by the Director of Real Estate of the City, to maintain or cause to be maintained the Leased Property in good order,

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

Insurance with Respect to the Leased Property

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

The City is also required under the Project Lease to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a CLTA or

ALTA policy of title insurance (with no survey required) with respect to the San Bruno Complex (County Jail No. 3) property, which policy, when combined with the policy of title insurance issued in connection with the issuance and delivery of the 2019-R1 Certificates (and the property associated with the Pavilion building (formerly known as the Link building) and the North Residence building (formerly known as the East Residence building) on the campus of Laguna Honda Hospital), will be in an aggregate amount at least equal to the initial aggregate principal amount of the Certificates and then-outstanding aggregate principal amounts of the 2012A Certificates and the 2019-R1 Certificates, inclusive, and showing a leasehold interest in the San Bruno Complex (County Jail No. 3) property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Certificates and such outstanding 2012A Certificates and 2019-R1 Certificates, and to deliver such policy to the Trustee promptly after the execution and delivery of the Certificates. See Appendix C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Insurance" and "– Fourth Supplement to Project Lease."

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

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

Eminent Domain

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

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

Substitution, Release, and Addition of Leased Property

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

PROPERTY – The Leased Property" and Appendix C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Addition, Release and Substitution."

Additional Certificates

On October 11, 2019, the City authorized Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $156,600,000. On December 20, 2019, the City further authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $83,600,000. In addition, the City may from time to time amend the Trust Agreement and the Project Lease to authorize one or more series of Additional Certificates secured by Base Rental payments under the Project Lease on a parity basis with the Outstanding Certificates, 2012A Certificates and 2019-R1 Certificates, provided that, among other requirements, the Base Rental payable under the Project Lease, as amended, is sufficient to pay all principal of and interest with respect to the Outstanding Certificates, 2012A Certificates and 2019-R1 Certificates and such Additional Certificates, and that the Base Rental thereunder is not in excess of the fair rental value of the Leased Property. The City may decide not to have the Additional Certificates authorized on October 11, 2019 and December 20, 2019 issued and delivered in whole or in part.

CERTAIN RISK FACTORS

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

Rental Payments Not a Debt of the City

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

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

Additional Obligations

Subject to certain City Charter restrictions, the City may incur other obligations, which may constitute additional charges against its revenues, without the consent of the Owners of the Certificates. To the extent that the City incurs additional obligations, the funds available to make payments of Base Rental may be decreased. The City is currently liable on other obligations payable from its general revenues. See Appendix A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Authorized but Unissued City GO Bonds," "– Voter-Approved Lease Revenue Bonds," "– Board Authorized and Unissued Long-Term Certificates of Participation," and "– Overlapping Debt." See also

Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

Abatement

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

Under the Project Lease, in the case of abatement relating to the Leased Property, the amount of annual rental abatement would be such that the resulting Rental Payments in any Project Lease Year during which such interference continues do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of a City Representative. Such abatement would continue for the period commencing with the date of such damage, destruction, condemnation or discovery of such title defect and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect; and the term of the Project Lease will be extended by the period during which the rental is abated under the Project Lease, except that such extension will in no event extend beyond April 1, 2046. Proceeds of rental interruption insurance may be used by the Trustee to make payments with respect to the Certificates in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest represented by the Certificates as such amounts become due. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Property." and "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Replacement, Maintenance and Repairs" for additional provisions governing damage to the Leased Property.

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

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

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

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

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

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

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

Enforcement of Remedies

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

government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

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

No Acceleration on Default

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

Release and Substitution of the Leased Property

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

Bankruptcy

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

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code), as amended (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the City. Third parties, however, cannot bring involuntary bankruptcy proceedings against the City. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the rights of the Owners of the Certificates may be materially and adversely affected as follows: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from

making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Certificates; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the Certificates and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Certificates if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The Adjustment Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations that were substantially identical or similar to the Certificates. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy. The City is not currently considering filing for protection under the Bankruptcy Code.

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

City Long-Term Financial Challenges

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

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

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

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

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

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

Seismic Risks

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

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

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

Earthquake Safety Implementation Plan (ESIP). ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety (CAPSS), a 10-year-long study evaluating the seismic vulnerabilities the City faces. The CAPSS Study prepared by the Applied Technology Council

looked at the impact to all of San Francisco's buildings and recommended a 30-year plan for action. As a result of this plan, the City has mandated the retrofit of nearly 5,000 soft-story buildings housing over 111,000 residents by September 2020. Future tasks will address the seismic vulnerability of older nonductile concrete buildings, which are at high risk of severe damage or collapse in an earthquake.

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

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

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

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

SB 1953 Compliance. Senate Bill 1953 ("SB 1953") is an amendment to the 1973 Hospital Facilities Seismic Safety Act ("HFSSA") that requires all acute care hospitals in California, including Laguna Honda Hospital, to comply with certain seismic safety standards within a certain time frame. SB 1953 generally requires that by 2020, all hospital buildings must remain standing during a major earthquake so that patients can be evacuated safely, and by 2030, all hospital buildings must remain standing and functioning during a

major earthquake. The City deems the Leased Property consisting of Laguna Honda Hospital compliant with SB 1953. See "PLAN OF FINANCE AND THE LEASED PROPERTY" above.

Climate Change, Risk of Sea Level Rise and Flooding Damage

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

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

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

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

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

Antarctic ice sheets poses a particular risk of sea level rise for the California coastline. The City has incorporated the projections from the 2018 report into its Guidance for Incorporating Sea Level Rise Guidance into Capital Planning. The Guidance requires that City projects over $5 million consider mitigation and/or adaptation measures.

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

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

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

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

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

Cybersecurity

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

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

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

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

Public Health Emergencies

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

The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Uncertain too are the actions that may be taken by federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the City's

operations and finances and the economy, real estate market and development within the City is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. The City has undertaken modifications to its standard budget approval process calendar and has been issuing and plans to issue periodic updates on the Controller's website. Certain reports providing preliminary information regarding the impact of the COVID-19 pandemic are described herein under Appendix A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Recent Events." above. The COVID-19 outbreak is expected to have material adverse impacts on the projections and budget information provided in Appendix A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES." Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the City's operations and finances.

Other Events

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

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

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

The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generation and transmission facilities and water transmission facilities. SFPUC is currently conducting an overall conditions assessment of all dams in its system. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately $1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately $40 million in damage to parts of the City's water and power infrastructure located in the region. Certain portions of the Hetch Hetchy Project such as Mountain Tunnel, an 18.9-mile water conveyance facility, are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City.

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

In August and September of 2020, California has experienced numerous significant wildfires. In addition to their direct impact on health and safety and property damage in California, the smoke from these wildfires has impacted the quality of life in the Bay Area and the City and may have short-term and future

impacts on commercial and tourist activity in the City, as well as the desirability of the City and the Bay Area as places to live, potentially negatively affecting real estate trends and values.

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

Risk Management and Insurance

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

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

State Law Limitations on Appropriations

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

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

Changes in Law

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

The General Fund of the City, which is the source of payment of Base Rental, may also be adversely affected by actions taken (or not taken) by voters, including but not limited to initiatives that generate additional General Fund revenues for the City if approved by voters. For example, the City's Final Adopted Budget for fiscal years 2020-21 and 2021-22 assumes the approval by voters of Proposition F, a measure on the November 2020 ballot, which would permit the City to unlock and use certain funds currently under litigation. For a description of certain propositions on the November 2020 ballot that are expected to generate General Fund revenues for the City if approved by voters, see Appendix A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances."

Under the State Constitution, the voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. Under the City's Charter, the voters of the City can restrict or revise the powers of the City through the approval of a Charter amendment. The City is unable to predict whether any such initiatives might be submitted to or approved by the voters, the nature of such initiatives, or their potential impact on the City.

State of California Financial Condition

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

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

U.S. Government Finances

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

Other

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

TAX MATTERS

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

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

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

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

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

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

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

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

Risk of Future Legislative Changes and/or Court Decisions

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

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

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

Original Issue Discount and Original Issue Premium

Certain of the Certificates ("Discount Certificates") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Certificate. The issue price of a Discount Certificate is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Certificates of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Certificate over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Certificate (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest evidenced by the Certificates, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, sale or other disposition of that Discount Certificate. A purchaser of

a Discount Certificate in the initial public offering at the issue price (described above) for that Discount Certificate who holds that Discount Certificate to maturity will realize no gain or loss upon the retirement of that Discount Certificate.

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

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

OTHER LEGAL MATTERS

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

The proposed form of the legal opinions of Co-Special Counsel are set forth in Appendix F hereto. The legal opinions to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distributions of them by recirculation of this Official Statement or otherwise will create no implication that Co-Special Counsel have reviewed or express any opinion concerning any of the matters referred to in the opinion subsequent to their date. Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Co-Disclosure Counsel.

Co-Disclosure Counsel have served as co-disclosure counsel to the City and in such capacity have advised the City with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Co-Disclosure Counsel are not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and have not undertaken to independently verify any of such statements or information. Rather, the City is solely responsible for the accuracy and

completeness of the statements and information contained in this Official Statement. Upon the delivery of the Certificates, Co-Disclosure Counsel will each deliver a letter to the City which advises the City, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to attention of such firm which caused them to believe that this Official Statement as of its date and as of the date of delivery of the Certificates contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No purchaser or holder of the Certificates, or other person or party other than the City, will be entitled to or may rely on such letter or Co-Disclosure Counsel's having acted in the role of disclosure counsel to the City.

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

PROFESSIONALS INVOLVED IN THE OFFERING

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

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Certificates to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2019-20, which is due not later than March 27, 2021, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Electronic Municipal Market Access system ("EMMA") of the Municipal Securities Rulemaking Board. The notices of enumerated events will be filed by the City with EMMA. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in Appendix D: "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the initial purchasers of the Certificates in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), as amended (the "Rule").

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

With respect to the Annual Report for fiscal year 2016-17 (which was timely filed), while the Annual Report provided investors a link to the City's 2016-17 audited financial statements ("2016-17 CAFR") on the City's website, the 2016-17 CAFR was not posted on EMMA. The City subsequently filed the 2016-17 CAFR on EMMA.

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

ABSENCE OF LITIGATION

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

VALIDATION ACTION

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

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

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

RATINGS

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

SALE OF THE CERTIFICATES

The Certificates were sold by competitive bid on October 14, 2020. The Certificates were awarded to Fidelity Capital Markets (the "Purchaser"), which submitted the lowest true interest cost bid, at a purchase

price of $82,159,539.54 (the "Purchase Price"). Under the terms of its bid, the Purchaser will be obligated to purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by Co-Special Counsel, and certain other conditions to be satisfied by the City.

The Purchaser provided the reoffering prices or yields set forth on the inside cover of this Official Statement and the City takes no responsibility for the accuracy of those reoffering prices or yields. Based on the reoffering prices, the Purchase Price reflects the par amount of the Certificates, plus an original issue premium of $11,861,829.55, and less an underwriting discount (or "spread") of $342,290.01. The Purchaser may offer and sell Certificates to certain dealers and others at prices or yields that differ from those stated on the inside cover. The offering prices or yields may be changed from time to time by the Purchaser.

MISCELLANEOUS

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

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

CITY AND COUNTY OF SAN FRANCISCO

By: /s/ Benjamin Rosenfield
Controller

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APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

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APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

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

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

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

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

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

TABLE OF CONTENTS

PAGE

TABLE OF CONTENTS A-1
RECENT EVENTS A-3
Public Health Emergency – COVID-19 ..... A-3
CITY GOVERNMENT A-5
City Charter A-5
Mayor A-7
Board of Supervisors A-7
Other Elected and Appointed City Officers A-7
CITY BUDGET A-8
Overview A-8
Budget Process A-11
Multi-Year Budgeting and Planning A-12
Role of Controller in Budgetary Analysis and Projections A-13
General Fund Results: Audited Financial Statements A-14
COVID Response and Economic Loss Reserve A-16
Rainy Day Reserve A-16
Budget Stabilization Reserve A-17
General Reserve A-17
Budget Savings Incentive Reserve A-18
Salaries, Benefits and Litigation Reserves A-18
Operating Cash Reserve A-18
Five-Year Financial Plan A-21
May Update Report A-22
Mayor's Proposed Budget for Fiscal Years 2020-21 and 2021-22 ..... A-28
Controller's Revenue Letter A-28
Final Adopted Budget for Fiscal Years 2020-21 and 2021-22 ..... A-30
BUDGETARY RISKS A-31
Threat of Extended Recession A-31
Commuting Pattern Changes A-31
COVID-19 Pandemic A-31
Bankruptcy Filing by the Pacific Gas and Electric Company (PG&E) A-32
Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances A-32
Impact of the State of California Budget on Local Finances A-34
Impact of Federal Government on Local Finances A-35
THE SUCCESSOR AGENCY A-36
GENERAL FUND REVENUES A-37
PROPERTY TAXATION A-37
Property Taxation System – General A-37
Assessed Valuations, Tax Rates and Tax Delinquencies A-38
Tax Levy and Collection A-41
Taxation of State-Assessed Utility Property A-44
OTHER CITY TAX REVENUES A-44
Business Taxes A-45
Transient Occupancy Tax (Hotel Tax) A-47

Real Property Transfer Tax A-48
Sales and Use Tax A-49
Other Local Taxes A-51
INTERGOVERNMENTAL REVENUES A-52
State Subventions Based on Taxes A-52
CITY GENERAL FUND PROGRAMS AND EXPENDITURES A-54
General Fund Expenditures by Major Service Area A-54
Voter-Mandated Spending Requirements A-55
EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS A-57
Labor Relations A-57
San Francisco Employees' Retirement System ("SFERS" or "Retirement System") A-60
Medical Benefits A-67
Total City Employee Benefits Costs A-72
INVESTMENT OF CITY FUNDS A-73
CAPITAL FINANCING AND BONDS A-75
Capital Plan A-75
Tax-Supported Debt Service – City General Obligation Bonds A-76
Authorized but Unissued City GO Bonds A-78
Refunding General Obligation Bonds A-79
General Fund Lease Obligations A-81
Voter-Approved Lease Revenue Bonds A-83
Board Authorized and Unissued Long-Term Certificates of Participation A-85
Commercial Paper Program A-86
Overlapping Debt A-86
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES A-88
Article XIIIA of the California Constitution A-88
Article XIIIB of the California Constitution A-89
Articles XIIIC and XIIID of the California Constitution A-89
Proposition 1A A-90
Proposition 22 ..... A-90
Proposition 26 ..... A-91
Future Initiatives and Changes in Law A-92
LEGAL MATTERS AND RISK MANAGEMENT A-92
Pending Litigation A-92
Ongoing Investigations A-92
Risk Retention Program A-94

RECENT EVENTS

Public Health Emergency – COVID-19

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

As of October 8, 2020 there have been over 11,500 confirmed cases of COVID-19 in the City, and health officials expect the number of confirmed cases to continue grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread closings of businesses, universities and schools (including the San Francisco Unified School District) throughout the United States. On June 8, 2020 the National Bureau of Economic Research announced that the U.S. officially entered into a recession in February 2020. In addition, stock markets in the United States and globally have been volatile.

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

All counties in the Bay Area (including the City) announced shelter-in-place ("Shelter-in-Place") emergency orders, which direct individuals to stay home, except for limited travel for the conduct of essential services. Most retail establishments (including restaurants, bars and nightclubs, entertainment venues and gyms) were closed in response to the Shelter-in-Place order. The Governor of the State announced a similar Shelter-in-Place emergency order effective for the entire State. The State and various counties, including the City, as discussed below, have allowed limited reopening of retail establishments, at times under limitations such as only providing outdoor or curbside service, based on local performance against public health indicators.

On May 28, 2020, Mayor Breed released a multi-stage reopening plan for the City. The reopening plan outlined anticipated stages for businesses and activities to resume operations in San Francisco dependent on key health indicators. A June 11, 2020 update to the City's Shelter-in-Place order provided guidance for new allowable business operations including outdoor dining, in-store retail, and non-essential office work. Further reopenings proposed for June 29, 2020 and July 13, 2020 were paused due to an increase in local COVID-19 cases. On July 17, 2020, the same day San Francisco was placed on the State of California's county watch list, Mayor Breed and Dr. Grant Colfax, the City's Director of Public Health, announced that the City's schedule for reopening would remain on pause until further notice to slow the spread of COVID-19.

On August 28, 2020, the State adopted a new, color coded, four-tiered framework to guide reopening statewide. Counties can be more restrictive than this State framework. Beginning on August 31, 2020, the City was designated to be in the red tier (the second most restrictive tier). Most of the surrounding Bay Area counties had been designated the purple tier (the most restrictive tier).

On September 1, 2020, the San Francisco Department of Health released the most recent updated Shelter-in-Place order ("Order"). The Order does not have an expiration date. The Order indicates that the City is resuming its reopening process in a measured, data-driven way, based on local health indicators, and is guided largely by the restrictions that apply to the Bay Area region as a whole. The Order was updated on September 14, 2020 to allow certain businesses, including hair salons, barber shops, massage services, nail salons, gyms and fitness centers, to resume indoor service with limited capacity. On September 30, 2020, San Francisco moved forward with reopening with indoor dining at 25% capacity with a limit of up to 100 people after the City was classified as "orange" on the State's tiered system. In addition, San Francisco expanded the capacity of outdoor places of worship, outdoor political demonstrations, and indoor malls, additional family entertainment, hotel fitness centers, and more. Future updates to the Order are uncertain at this time, and there can be no assurances that more restrictive requirements previously in place will not be re-imposed.

When the Mayor declared a state of emergency in February 2020, the City's Emergency Operations Center was activated. The City's response quickly grew into a multi-agency initiative to address issues arising from the health crisis. In addition to Department of Public Health-led efforts to respond to the immediate health emergency, the City has established multiple programs to assist residents and businesses with the ancillary impacts of COVID-19. The City announced emergency relief measures for local businesses that defer collection of certain tax revenues and increase City expenditures, with potential offsets from federal and State emergency funds. The City estimates that emergency response expenditures relating to the COVID-19 Emergency were approximately $375 million during fiscal year 2019-20 alone. As of May 13, 2020, the City projected that federal sources, including Federal Emergency Management Agency ("FEMA") reimbursements and Coronavirus Aid, Relief, and Economic Security ("CARES") Act allocations, would offset the majority of emergency costs during fiscal year 2019-20. See "CITY BUDGET - May Update Report" herein. The Mayor's Proposed Budget for fiscal years 2020-21 and 2021-22 ("Mayor's Proposed Budget") reflected the updated assumption that $82.1 million of CARES Act allocations to the General Fund will be available to support response expenditures in fiscal year 2020-21.

The economic impact of COVID-19 has drastically reduced the City's tax revenues and may affect the City's ability to sustain regular operations at current levels. As of May 13, 2020, the City projected a $542.8 million decline in Citywide revenues for fiscal year 2019-20 relative to the pre-COVID February 2020 projected revenue levels. Although this decline was somewhat offset by reduced spending levels, as of May 13, 2020, the City projected a $246 million shortfall for fiscal year 2019-20. The shortfall for fiscal year 2019-20 was addressed through use of a portion of the City's General Reserve, reductions to capital projects, savings from City departments, and other measures. See and "CITY BUDGET – May Update Report" herein.

In fiscal year 2020-21, the ongoing response to COVID-19 will likely cost additional hundreds of millions of dollars in addition to the $375 million estimated to have been expended in fiscal year 2019-20. The Mayor's Proposed Budget assumed $512.8 million of COVID-19 response costs in fiscal year 2020-21, and $0 in fiscal year 2021-22. Actual costs will ultimately depend on the duration and severity of the pandemic. New costs will be partially offset by the re-assignment of City employees, and may be offset by FEMA reimbursement for eligible costs. See "CITY BUDGET - May Update Report" herein.

On September 29, 2020, the Board of Supervisors adopted and on October 1, 2020 the Mayor signed the final fiscal year 2020-21 and 2021-22 budget ("Final Adopted Budget"). See "CITY BUDGET – Budget Process" herein. As of May 13, 2020, the City projected a $1.5 billion shortfall for fiscal years 2020-21 and 2021-22, which represented a $1.1 billion increase from the City's projections as of January 2020 for those two fiscal years. See "CITY BUDGET – May Update Report" herein.

The Mayor's Proposed Budget addressed the shortfalls through a combination of the use of $370.9 million of fund balance, the use of $488.1 million of reserves, the assumed receipt of contingent revenue, use of one-time revenue to fund ongoing expenses, and reductions of various City expenditures. The Mayor's Proposed Budget reflected a slight increase in property tax revenue in fiscal year 2020-21 and steep declines in business taxes and other local tax revenue, somewhat offset by increased assumed federal funding. The Mayor's Proposed Budget assumed that voters in the City will approve a ballot measure in November 2020 that is expected to result in more than $330 million in new taxes annually. See "CITY BUDGET – May Update Report," "Mayor's Proposed Budget for Fiscal Years 2020-21 and 2021-22" and "Controller's Revenue Letter" herein. The Mayor's Proposed Budget also consolidated seven existing reserves into a new $504.7 million COVID Response and Economic Loss Reserve that would be available to offset revenue losses, or to assist with balancing of future fiscal year budgets. See "CITY BUDGET – COVID Response and Economic Loss Reserve" herein. While the Mayor's Proposed Budget for fiscal years 2020-21 and 2021-22 was balanced, various risks and uncertainties could result in revenue or expense levels that differ from those assumed in preparing the budget, and such differences could be material.

The Board of Supervisors considered the Mayor's Proposed Budget in August and September 2020 and adopted the Final Adopted Budget with some amendments, described in "CITY BUDGET – Final Adopted Budget for Fiscal Years 2020-21 and 2021-22". The City is required by the City Charter to adopt a balanced two-year budget by October 1. See "BUDGETARY RISKS" herein.

The Controller's Office is currently working on a three-month budget report, which is expected to be released by mid-November. At this time, the Controller's Office expects certain local taxes, including business tax, hotel tax, and sales tax, to perform weaker than projected in the Final Adopted Budget. The anticipated reduction in projected revenue from budget is due to changed assumptions about the pace of reopening and resumption of business and consumer activity. Between budget development in early July 2020 and updated forecasts being developed in October 2020, the Bay Area experienced a second surge of COVID-19 cases which slowed the pace of reopening. For example, whereas in June indoor dining was projected to be permitted beginning on July 13, the summer surge pushed the timeline to early October. Work on the budget report is ongoing, and it is possible that the reductions in business tax, hotel tax and sales tax revenues reflected in the budget report could be material.

The adverse effects of the COVID-19 outbreak and its disruptions of economic activity nationally which in turn will adversely affect investment returns in capital markets will likely also have an adverse impact on the City's retirement system. Lower returns in capital markets may result in increases in required payments by the City. See "CITY BUDGET - May Update Report" herein.

CITY GOVERNMENT

City Charter

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

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

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

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

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

Mayor

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

Board of Supervisors

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

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO

Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
Sandra Lee Fewer, *District 1*	2017	2021
Catherine Stefani, *District 2*	2018	2023
Aaron Peskin, *District 3*	2017	2021
Gordon Mar, *District 4*	2019	2023
Dean Preston, *District 5*	2019	2020
Matt Haney, *District 6*	2019	2023
Norman Yee, Board President, *District 7*	2017	2021
Rafael Mandelman, *District 8*	2018	2023
Hillary Ronen, *District 9*	2017	2021
Shamann Walton, *District 10*	2019	2023
Ahsha Safai, *District 11*	2017	2021

Other Elected and Appointed City Officers

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

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

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

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

The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. The City Administrator oversees the General Services Agency consisting of 25 departments, divisions, and programs that include the Public Works Department, Department of Technology, Office of Contract Administration/Purchasing, Real Estate, County Clerk, Fleet Management, Convention Facilities, Animal Care and Control, Medical Examiner, and Treasure Island. Naomi M. Kelly was appointed to a five-year term as City Administrator by then-Mayor Lee in February of 2012, following her brief role as Acting City Administrator. Ms. Kelly was re-appointed for a second five-year term on February 8, 2017. Prior to her City Administrator position, Ms. Kelly was appointed City Purchaser and Director of the Office of Contract Administration by Mayor Newsom. She previously served as Special Assistant in the Mayor's Office of Neighborhood Services, and the Office of Policy and Legislative Affairs, under Mayor Brown. She also served as the City's Executive Director of the Taxicab Commission. Ms. Kelly, a native San Franciscan, is the first woman and African American to serve as City Administrator of the City. She received her undergraduate and law degrees, respectively, from New York University and the University of San Francisco. Ms. Kelly is a member of the California State Bar.

CITY BUDGET

Overview

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, and funds such departments and enterprises through its annual budget process. Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. General Fund revenues consist largely of local property tax,

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

On June 1, 2020, the Mayor introduced and on June 30, 2020 the Board of Supervisors approved a balanced interim budget for fiscal years 2020-21 and 2021-22, which remained in effect until the Final Adopted Budget was signed by the Mayor on October 1, 2020. The interim budget was adopted due to the disruption in City operations, including adoption of the emergency shelter in place orders, resulting from the COVID-19 emergency. On July 31, 2020 the Mayor announced a two-year budget proposal for fiscal years 2020-21 and 2021-22, which was formally introduced to the Board of Supervisors on August 4, 2020. The Final Adopted Budget was approved by the Board of Supervisors on September 20, 2020 and signed by Mayor Breed on October 1, 2020.

The Final Adopted Budget for fiscal year 2020-21 appropriated annual revenues, fund balance, transfers and reserves of $13.6 billion, of which the City's General Fund accounts for $6.2 billion. The Final Adopted Budget for fiscal year 2021-22 appropriated revenues, fund balance, transfers and reserves of $12.4 billion, of which $5.8 billion represents the General Fund budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2017-18 and 2018-19, the Original Budget for fiscal year 2019-20, and the Final Adopted Budget for fiscal years 2020-21 and 2021-22-. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein. For detailed discussion of the fiscal years 2020-21 proposed budget, see "CITY BUDGET - Final Adopted Budget for Fiscal Years 20-21 and 2021-22" herein.

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

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TABLE A-2

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

	2017-18 Final Revised Budget	2018-19 Final Revised Budget [7]	2019-20 Original Budget [8]	2020-21 Original Budget [9]	2021-22 Original Budget [9]
Prior-Year Budgetary Fund Balance & Reserves	$1,999,334	$2,342,082	$299,880	$526,905	$331,674
Budgeted Revenues					
Property Taxes[1]	$1,557,000	$2,142,727	$1,956,008	$2,019,600	$1,976,900
Business Taxes	750,820	879,414	1,050,620	826,400	1,030,900
Other Local Taxes[2]	1,112,570	1,053,390	1,144,376	657,990	924,130
Licenses, Permits and Franchises	29,964	30,794	30,431	23,175	23,688
Fines, Forfeitures and Penalties	4,579	3,131	3,125	2,338	3,088
Interest and Investment Earnings	18,615	20,323	76,590	23,490	16,530
Rents and Concessions	14,089	14,896	15,141	10,948	15,451
Grants and Subventions	965,549	1,072,205	1,088,615	1,380,693	1,029,486
Charges for Services	242,842	263,340	245,222	257,295	245,657
Other	40,130	268,855	69,424	25,254	24,325
Total Budgeted Revenues	$4,736,158	$5,749,075	$5,679,551	$5,227,184	$5,290,154
Bond Proceeds & Repayment of Loans	$110	$87	-	-	-
Expenditure Appropriations					
Public Protection	$1,316,870	$1,390,266	$1,493,084	$1,448,004	$1,419,535
Public Works, Transportation & Commerce	238,564	214,928	208,755	186,729	167,017
Human Welfare & Neighborhood Development	1,047,458	1,120,892	1,183,587	1,477,225	1,272,305
Community Health	832,663	967,113	950,756	1,152,275	1,004,399
Culture and Recreation	142,081	154,056	173,969	158,511	167,908
General Administration & Finance	259,916	290,274	596,806	363,650	367,768
General City Responsibilities[3]	114,219	172,028	193,971	219,635	175,806
Total Expenditure Appropriations	$3,951,771	$4,309,557	$4,800,929	$5,006,029	$4,574,738
Budgetary reserves and designations, net	-	-	$29,880	$149,000	$874
Transfers In	$232,032	$239,056	$163,455	$447,095	$182,537
Transfers Out[4]	(1,009,967)	(1,468,021)	(1,312,077)	(1,046,155)	(1,228,753)
Net Transfers In/Out	($777,935)	($1,228,965)	($1,148,622)	($599,060)	($1,046,216)
Budgeted Excess (Deficiency) of Sources Over (Under) Uses[5]	$2,005,897	$2,552,722	-	-	-
Variance of Actual vs. Budget	336,422	374,136	-	-	-
Total Actual Budgetary Fund Balance[6]	$2,342,319	$2,553,096	-	$0	$0

[1] The City's final budget for FY 2018-19 property tax included $414.7 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue, representing 2 years of Excess ERAF. In FY 2019-20, the City budgeted $185.0 million of "Excess Educational Revenue Augmentation Fund" (ERAF) revenue. The Mayor's Proposed Budget appropriates Excess ERAF property tax funds in fiscal years 2020-21 and 2021-22 for ongoing purposes. Please see "Other Budget Updates - Controller's Revenue Letter" and "Property Tax" sections for more information about Excess ERAF.
[2] Other Local Taxes includes sales, hotel, utility users, parking, sugar sweetened beverage, stadium admissions, access line, and cannabis taxes.
[3] Over the past five years, the City has consolidated various departments to achieve operational efficiencies. This has resulted in changes in how departments were summarized in the service area groupings above for the time periods shown.
[4] Other Transfers Out is primarily related to transfers to support Charter-mandated spending requirements and hospitals.
[5] Variances in FY 2020-21 and 2021-22 are due to rounding.
[6] Fiscal year 2016-17 through fiscal year 2018-19 Final Revised Budget reflects prior year *actual* budgetary fund balance. Fiscal years 2019-20 through 2021-22 reflects budgeted use of fund balance and reserve.
[7] FY 2018-19 Final Revised Budget updated from FY 2018-19 CAFR.
[8] FY 2019-20 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget. Does not reflect material adverse impacts of the COVID-19 pandemic on the General Fund in FY2019-20. See reserve discussion under "CITY BUDGET" section.
[9] FY 2020-21 and 2021-22 amounts represent the Final Adopted Budget, adopted on October 1, 2020.

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

Budget Process

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

On March 31, 2020, Mayor Breed announced in a press release that due to the COVID-19 Emergency, the City's budget timeline would be delayed for two months. This delay allowed the City to focus on responding to the public health crisis and provide enough time for City budget staff to develop a plan to bring fiscal year 2019-20 expenditures into alignment with projected lower revenues and prepare for the upcoming budget cycle. The additional time was intended to ensure the City's response to the significant fiscal year 2019-20 projected shortfall of $246.2 million and projected budget deficits was prudent and responsible.

Mayor Breed issued Budget Instructions to departments in May, and Departments were instructed to submit new department proposals to assist the Mayor in developing her balanced budget in June and July. On June 1, 2020 the Mayor introduced, and on June 30, 2020 the Board of Supervisors approved, a balanced interim budget for fiscal years 2020-21 and 2021-22. On July 31, 2020 the Mayor announced a two-year budget proposal for fiscal years 2020-21 and 2021-22 ("Mayor's Proposed Budget"), which was formally introduced to the Board of Supervisors on August 4, 2020 and finally adopted by the Board on September 29, 2020..

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

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

The Annual Appropriation Ordinance becomes effective with or without the Mayor's signature after 10 days; however, the Mayor has line-item veto authority over specific items in the budget. Additionally, in

the event the Mayor were to disapprove the entire Annual Appropriation Ordinance, the Charter directs the Mayor to promptly return the ordinance to the Board of Supervisors, accompanied by a statement indicating the reasons for disapproval and any recommendations which the Mayor may have. Any Annual Appropriation Ordinance so disapproved by the Mayor shall become effective only if, subsequent to its return, it is passed by a two- thirds vote of the Board of Supervisors.

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

Multi-Year Budgeting and Planning

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

1. Fixed two-year budgets are approved by the Board of Supervisors for five departments: SFO, Child Support Services, the Port, the PUC and MTA. All other departments prepare balanced, rolling two-year budgets for Board approval. For all other departments, the Board annually approves appropriations for the next two fiscal years.

2. Five-year financial plan and update, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. A five-year financial plan update, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, the Budget Analyst for the Board of Supervisors and Controller's Office on January 3, 2020, for fiscal year 2020-21 through fiscal year 2023-24. The forecasts associated with such financial plan were updated in March and May to reflect the projected impacts of COVID-19 on the City's finances. The next full update of the City's Five-Year Financial Plan is expected to be submitted in December 2020. See "Five Year Financial Plan" section below.

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

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

- Rainy Day and Budget Stabilization Reserve Policies – These reserves were established to support the City's budget in years when revenues decline. These and other reserves (among many others) are discussed in detail below. Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for fiscal year 2019-20 exceed total General Fund revenues for the prior year by more than five percent. Similarly, if budgeted revenues exceed fiscal year 2019-20 revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues. Given the City's projected revenue declines, the City is eligible to withdraw from these reserves and is not required to make any deposits. The Final Adopted Budget withdraws the maximum permissible amounts from the City's Rainy Day and Budget Stabilization Reserves. These and other reserves are discussed under Rainy Day Reserve and Budget Stabilization Reserve, as well as the "Controller's Revenue Letter" section.

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

Role of Controller in Budgetary Analysis and Projections

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

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

General Fund Results: Audited Financial Statements

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

The audited General Fund fund balance as of June 30, 2019 was $2.7 billion (shown in Tables A-3 and A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of $5.9 billion. The City prepares its budget on a modified accrual basis, which is also referred to as "budget basis" in the CAFR. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. Table A-3 focuses on a specific portion of the City's balance sheet; audited General Fund fund balances are shown on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2015 through June 30, 2019. See Note 10 of the CAFR for additional information on fund balances and reserves.

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TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Fund Balances
Fiscal Years 2014-15 through 2018-19[1]
(000s)

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

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

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

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

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

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

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

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

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

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

COVID Response and Economic Loss Reserve

The Mayor's Proposed Budget and Final Adopted Budget consolidate the balances of several City reserves into a single COVID Response and Economic Loss Reserve of approximately $507 million. This consolidated reserve is comprised of unassigned fund balance reserved for other contingencies of $308 million and the estimated available balances of the Rainy Day One Time Reserve, the Budget Stabilization One Time Reserve, and the Budget Savings Incentive Reserve. The COVID Response and Economic Loss Reserve will be available to offset revenue losses or to assist otherwise with balancing of future fiscal year budgets. The Controller has noted that the $507 million total balance would be sufficient to offset some, but not all, of the budget risks identified in the Final Adopted Budget. See "CITY BUDGET - Controller's Revenue Letter."

Rainy Day Reserve

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

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

The fiscal year 2018-19 ending balance of the Rainy Day Economic Stabilization City Reserve was $229.1 million, as shown in Table A-3. There is no expected deposit or withdrawal in fiscal year 2019-20, resulting in a projected ending balance of $229.1 million in fiscal year 2019-20. In the Final Adopted Budget, the maximum permissible withdrawal is budgeted from this reserve, $114.5 million in fiscal year 2020-21 and $57.3 million in fiscal year 2021-22. As a result, the balance of the reserve is expected to decline to $57.3 million by the end of fiscal year 2021-22.

For the Rainy Day One Time Reserve, the fiscal year 2018-19 ending balance was $95.9 million, as shown in Table A-3. The Final Adopted Budget transfers the balance of from the Rainy Day One Time Reserve, into a new COVID Response and Economic Loss Reserve. See "COVID Response and Economic Loss Reserve" above.

The combined balances of the Rainy Day Reserve's Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be placed in the Budget Stabilization One-Time Reserve, which is eligible to be allocated to capital and other one-time

expenditures. Monies in the City Reserve are available to provide budgetary support in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Monies in the Rainy Day One-Time Reserve are available for capital and other one-time spending initiatives.

Budget Stabilization Reserve

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

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

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

In the Final Adopted Budget, the maximum permissible withdrawal is budgeted from this reserve, $42.0 million in fiscal year 2020-21 and $125.3 million in fiscal year 2021-22. As a result, the balance of the reserve is expected to decline to $125.3 million by the end of fiscal year 2021-22.

The Final Adopted Budget transfers the balance of from the Budget Stabilization One Time Reserve into the new COVID Response and Economic Loss Reserve. See "COVID Response and Economic Loss Reserve" above.

General Reserve

The City maintains a General Reserve, shown as "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-3 above. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. The policy, originally adopted on April 13, 2010, set the reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues in years when the City is eligible to withdraw from its economic stabilization reserves. The intent of this policy change was

to increase reserves available during a multi-year downturn. The fiscal year 2017-18 balance of this reserve was $106.9 million, as shown in Table A-3 above. In fiscal year 2018-19, $20.4 million was budgeted and deposited for the General Fund Reserve, resulting in an ending balance of $127.3 million. In fiscal year 2018-19, Table A-3 includes $3.6 million in other reserve-type appropriations. In fiscal year 2019-20, the City made a budgeted deposit of $28.9 million to the General Reserve. The Mayor withdrew $77.6 million as part of the City's mid-year rebalancing plan in May 2020, and the Board appropriated $2.2 million to support public safety expenditures during the year, for a projected ending balance of $76.4 million in fiscal year 2019-20, as permitted in a year of reduced revenue such as fiscal year 2019-20. In fiscal year 2020-21, there is no anticipated deposit or withdrawal to the General Reserve. In fiscal year 2021-22, there is a budgeted deposit of $0.9 million for an anticipated ending balance of $77.3 million.

Budget Savings Incentive Reserve

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

Salaries, Benefits and Litigation Reserves

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

Operating Cash Reserve

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

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

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TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Audited Statement of Revenues, Expenditures and Changes in General Fund Fund Balances[1]
Fiscal Years 2014-15 through 2018-19[2]
(000s)

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

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

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

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

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

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

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

Five-Year Financial Plan

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

On January 3, 2020, the Mayor, Budget Analyst for the Board of Supervisors, and the Controller's Office issued the Plan update for fiscal years 2020-21 through 2023-24 ("Original FY21-FY24 Plan"), which projected cumulative annual shortfalls of $195.4 million, $224.1 million, $531.1 million, and $630.6 million, for fiscal years 2020-21 through 2023-24, respectively. However, as a result of the COVID-19 Emergency, the Mayor, Board of Supervisors Budget Analyst, and Controller released an update to the Original FY21-FY24 Plan on March 31, 2020 ("March Update") and another update on May 13, 2020 ("May Update"). The May Update adopts the assumptions detailed in the Original FY21-FY24 Plan (which are described below), with updates since the initial issuance of the Original FY21-FY24 Plan: (1) General Fund tax revenue losses associated with the health emergency, and (2) reductions in voter-adopted baseline spending requirements given those revised revenue projections. The next full update of the City's Five-Year Financial Plan is expected to be submitted in December 2020.

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

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Five Year Financial Plan Update
Fiscal Years 2020-21 through 2023-24
Projections as of January 3, 2020*
($millions)

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

****Based on the pre-COVID Emergency Original FY21-FY24 Plan* from January 3, 2020. *See "May Update" below for the City's most recent projections.***

May Update Report

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

The May Update's assessment of the severity and duration of economic and financial losses worsened and changed in some aspects as compared to the March Update. The May Update does not present a "rapid recovery" scenario and assumed a slower economic recovery that begins later in 2020 and continues into subsequent fiscal years. The May Update projected a $246.2 million shortfall for fiscal year 2019-20 and a combined $1.5 billion shortfall for the following two fiscal years, shortfalls that were addressed for fiscal year 2019-20 and for fiscal years 2020-21 and 2021-22 in the Final Adopted Budget.

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

TABLE A-6(a)

Cumulative Changes in General Fund Supported Revenues & Expenditures
Projected as of May 13, 2020
($ in millions)

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

*Fiscal year 2019-20 shortfall has been closed, as described below.

Based on this projection, the Mayor's Office issued budget instructions to departments to propose reductions to General Fund support by 10 percent in fiscal year 2020-21 and 15 percent in fiscal year 2021-22.

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

Economic and Revenue Recovery Delayed. As mentioned above, the May Update projections assumed a slower economic recovery beginning later in 2020 and continuing into subsequent fiscal years. The Final Adopted Budget assumes a more gradual recovery than the May Update, with tax revenue losses exceeding those projected in the May Update. Deeper losses would occur if continued community exposure to COVID-19 requires a slower resumption of economic activity, or subsequent outbreaks require re-imposition of public health measures that had been lifted.

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

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

Given uncertainty regarding the duration of the public health emergency and nascent financial planning regarding the need to sustain response programs in upcoming fiscal years, the May Update projections assumed no additional General Fund cost for these programs beyond June 30, 2020. However, sustained emergency and public health responses will be required. The Final Adopted Budget assumes $512.8 million of COVID response costs in fiscal year 2020-21, and $0 in fiscal year 2021-22.

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

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

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

In its projections of fund balance available to support future fiscal years, the May Update assumed that a plan to bridge the $246.2 million projected fiscal year 2019-20 shortfall will be enacted in fiscal year 2019-20. The Mayor's Office submitted a plan to offset projected revenue losses in fiscal year 2019-20. The $246.2 million in reductions and balancing solutions include utilization of the City's General Reserve, reductions to capital projects and allocations from the General Fund Pay-Go capital program, savings from City departments, debt savings, and prior ERAF reallocation. The Board of Supervisors approved the Proposed Interim Budget and Appropriation Ordinance for Departments – fiscal years 2020-2021 and 2021-2022 on June 30, 2020.

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

TABLE A-6(b)

FY 2019-20 Projected General Fund Variances to Budget
Projection as of May 13, 2020
($ in millions)

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

*Fiscal year 2019-20 shortfall has been closed, as described above.

For fiscal year 2019-20, Citywide revenues were anticipated to be $436.0 million below budget, a decline of $542.8 million from the budget status update on revenues and expenditures through the first six months of the year issued by the Controller's Office in February 2020 (the "Six Month Report"). Formula-driven voter-mandated baseline spending requirements were projected to be $103.8 million below budget as a result of projected revenue declines.

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

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

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

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

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

TABLE A-6(c)

Summary Changes to Updated Projected Budgetary Surplus / (Shortfall), cumulative, as compared to January 2020 Projection
Projected as of May 13, 2020, Variance from January 3, 2020 Projection
($ in millions)

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

Change in Two Year Deficit (1,069.8)

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

SOURCES – Revenue and Fund Balance:

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

- *Tax Revenue*. The projection includes significant downward revisions of revenue. The May Update projections assume a slower economic recovery begins later in 2020 and continues into subsequent fiscal years. To the extent that the recovery occurs later or more gradually than assumed in the May Update, tax revenue losses will exceed those projected in the May Update report.

USES – Salaries and Benefits

- *Labor Agreements*. The May Update assumes contracts for Police and Firefighter unions remain closed through fiscal year 2020-21, and contracts for miscellaneous unions remain closed through fiscal year 2021-22. The May Update assumes the six-month delay of wage increases set to go into effect in July 2020 and December 2020, consistent with language in negotiated memorandums of understanding (MOUs) regarding current fiscal conditions.

- *Retirement Benefits – Employer Contribution Rates*. Changes in the assumed employer contribution rates for San Francisco Employees' Retirement System ("SFERS") were a significant driver in the change in salary and benefits costs in the May Update as compared to the January 2020 report. The projection reflected the employer contribution rate set by the Retirement Board in February 2020 for the upcoming fiscal year 2020-21, resulting in savings of $5.6 million compared to January. For the remaining years of the projection, the report assumed investment returns of -5.0% in fiscal year 2019-20 as a result of poor market performance due to the COVID-19 emergency, as opposed to the 7.4% rate of returns assumed in January. These losses result in projected increased year-over- year costs of $26.9 million in fiscal year 2021-22 and an additional $30.7 million in fiscal year 2022-23 versus the January projection.

- *Health Benefits for Active Employees and Retirees*. The May Update included a number of changes to the cost of health benefits for active employees and retirees. In January 2020, the average health rate increases for active and retirees was approximately 6.0% across the projection period; in this update, average health rates are projected to increase to 6.7%. For active employees, health rates were increased modestly from the January report to account for projected increases in health care costs. For retirees, the update included increased retiree health costs in fiscal year 2020-21 to reflect actual retiree health costs in fiscal year 2019-20, and then assumed increased rates in the final three years of the projection. The May Update report also assumed the elimination of the so-called Cadillac Tax, which was repealed by Congress in December 2019, reducing expected costs of health care. Together, these changes resulted in an additional year-over-year increase of $8.7 million in fiscal year 2020-21 and $2.1 million in fiscal year 2021-22.

USES – Departmental Costs

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

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

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

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

TABLE A-6(d)

FY 2019-20 COVID-19 Response Expenditures & Revenues
Projected as of May 13, 2020
($ in millions)

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

Mayor's Proposed Budget for Fiscal Years 2020-21 and 2021-22

On July 31, 2020 the Mayor announced a two-year budget proposal for fiscal years 2020-21 and 2021-22, which was formally introduced to the Board of Supervisors on August 4, 2020. Following the Budget and Finance Committee and full Board hearings, the budget was signed by Mayor Breed on October 1, 2020. The Mayor's Proposed Budget was a balanced budget that would close the $753.9 million and $735.4 million General Fund shortfalls for fiscal years 2020-21 and 2021-22 identified in the May Update.

To close this shortfall, the Mayor's Proposed Budget proposed balancing solutions for sources and uses, including:

SOURCES

- Maximum allowable use of City's economic stabilization reserves of $156.5 million in fiscal year 2020-21 and $125.3 million in fiscal year 2021-22;
- Assumption of Excess ERAF revenue for budget balancing rather than specific purposes; and
- Voter approval of the November 2020 business tax reform measure, which would allow the City to reimburse the General Fund for $331 million of prior year costs. On September 9, 2020, the California Supreme Court declined to hear an appeal regarding November 2018 Proposition C, allowing the lower court decisions in the City's favor to stand. As a result, repayment to the General Fund of $196 million in advances made in previous years are now free of legal risk on the voter threshold issue, regardless of the outcome of the November 2020 measure. See "Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances" below.

USES

- Citywide cost savings, including departments absorption of inflationary cost increases, reduced funding for citywide capital, equipment, and technology initiatives, changes in health and pension rates, and savings in debt, real estate, and one-time move costs due to project delays and more favorable market conditions; and
- Select departmental solutions, utilizing proposals submitted to the Mayor in response to her request for proposals to reduce department reliance on the General Fund by 10 percent in fiscal year 2020-21 and 15 percent in fiscal year 2021-22.
- No increase in funding for employee wage increases scheduled for the budget period, totaling $55.0 million in fiscal year 2020-21 and $215.0 million in fiscal year 2021-22. The Mayor requested that the City's labor unions agree to contract amendments to defer these wage increases. To the extent that wages are not ultimately deferred, department reductions will be required to absorb those costs or additional solutions implemented.

In addition to balancing the shortfall from the May Update, the Mayor's Proposed Budget appropriated approximately $300 million of new or enhanced General Fund expenditures, including approximately $100 million of General Fund for COVID-19 response costs and $120 million for investments in racial equity.

Controller's Revenue Letter

On August 11, 2020, the Controller's Office issued the Controller's Discussion of the Mayor's Proposed Budget for fiscal year 2020-21 and fiscal year 2021-22 ("Revenue Letter"). The report found that the tax revenue assumptions in the proposed budget were reasonable but caution they were highly dependent on the course of economic reopening, will require frequent monitoring, and are subject to updates as

conditions change. The report noted that the Mayor's Proposed Budget drew heavily on prior year reserves to support operations and baselines are largely funded at or above required levels. Key findings of the Revenue Letter are summarized below:

Tax revenue assumptions are reasonable and based on the expectation that the COVID-19 pandemic continues to depress economic activity in fiscal year 2020-21. Economic and revenue projections are highly uncertain given the unknown future course of the public health crisis. Following a severe loss of tax revenues in the final quarter of fiscal year 2019-20, revenue estimates in the Mayor's Proposed Budget assume a slow recovery begins in fiscal year 2020-21. The Mayor's Proposed Budget assumes the impact of the public health crisis is significantly mitigated by the end of fiscal year 2020-21 and a more robust growth begins by that time, as restrictions on large gatherings are lifted and office, hotel and other commercial activities can begin to return to pre-COVID levels. Tax revenues could fall short of these projections if the public health crisis persists at current levels or worsens. The Controller's Office will closely monitor and report on revenues during fiscal year 2020-21, and active management of the City's budget will likely be required by the Mayor and Board of Supervisors.

The Mayor's Proposed Budget assumes continued federal funding for a significant portion of COVID-19 response costs in fiscal year 2020-21. The Mayor's Proposed Budget relies on significant federal funding for COVID response efforts, including the receipt of $236.4 million of reimbursements from FEMA and $82.1 million from the Coronavirus Relief Fund. This assumes that FEMA allows claims through fiscal year 2020-21 and for existing eligible costs. Additionally, the Mayor's Proposed Budget assumes no public health response costs or associated revenues following fiscal year 2020-21. To the extent these local programs are required after fiscal year 2020-21, future budgets will require significant adjustment. Lastly, Congress is currently negotiating an additional next federal stimulus package, which could provide increased local resources not assumed in the budget.

The Mayor's Proposed Budget assumes voter approval of a November 2020 ballot measure to increase the gross receipts tax on certain taxpayers and impose new replacement general taxes on the gross receipts from the lease of certain commercial space or larger businesses if two contested 2018 (June and November Prop C) business tax measures are struck down. As a result, $330.8 million of new revenue transfers into the General Fund are assumed in the Mayor's Proposed Budget, to repay prior year General Fund advances made for these purposes. Should the measure fail, this would result in the loss of a significant General Fund balancing solution, and the Mayor and the Board of Supervisors would be required to adopt other balancing solutions mid-year.

On September 9, 2020, the California Superior Court declined to take an appeal by in the City's favor regarding November 2018 Proposition C, Homeless Gross Receipts Tax. As a result, $196 million of the $330.8 million General Fund advances assumed in the Mayor's Proposed Budget can be realized without passage of the ballot measure. See "Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances" for additional information.

The Mayor's Proposed Budget appropriates "excess ERAF" property tax funds in fiscal years 2020-21 and 2021-22 for ongoing purposes. Given the risk of state legislation to eliminate excess ERAF, through fiscal year 2019-20 these revenues have been treated as non-recurring and largely spent on one-time uses. While future revenues will depend on the final contents of ERAF calculation and allocation procedures established by the State Controller's Office in December 2020, as stipulated in state budget trailer legislation, excess ERAF revenue was not eliminated wholesale. The Mayor's Proposed Budget includes $330.0 million of excess ERAF revenue. Of the $252.1 million available after baseline allocations,

$53.9 million is spent to continue education, mental health and homeless services previously funded on a temporary basis and $198.3 million was used to balance other revenue shortfalls. Excess ERAF revenues assumed in fiscal year 2021-22 are subject to some legislative risk as the State grapples with likely budget shortfalls in future fiscal years.

The Mayor's Proposed Budget assumes that contractual wage increases for all City employees are renegotiated and deferred. Under the terms of previously negotiated labor contracts, city employees are currently scheduled to receive pay increases in both fiscal years 2020-21 and 2021-22 at a General Fund cost of approximately $55.0 million and $215.0 million, respectively. To the extent that these negotiations are not successful, costs will be higher in each of the budget years, requiring additional adjustments to maintain a balanced budget, as discussed above.

The Mayor's Proposed Budget consolidates several reserves into a new single reserve to guard against these significant risks. The Mayor's Proposed Budget consolidates seven existing one-time reserves into one COVID Response and Economic Loss Reserve of $507.4 million. This reserve would be available to offset losses versus the proposed budget for risks noted above, or to assist with balancing of future fiscal year budgets. This balance would be sufficient to offset some – but not all – of these risks should they materialize during the budget period.

The Mayor's Proposed Budget withdraws the maximum permissible amount from the City's economic stabilization reserves; code-mandated reserves are funded and maintained at required levels. Over the two budget years, the Mayor's Proposed Budget draws $167.3 million of Budget Stabilization Reserve and $171.8 million of Rainy Day Reserve, the maximum amounts allowed under the City's financial policies. A balance of $182.6 million remains in those reserves, and per the City's financial policies, can be fully drawn in fiscal year 2022-23. General Reserve funding levels in the budget are at code-mandated levels, which are reduced in years when the City is eligible to withdraw from its economic stabilization reserves, resulting in savings of approximately $28.9 million in fiscal year 2020-21.

The Mayor's Proposed Budget is in violation of the City's non-recurring revenue policy. In order to adopt the budget, the Board of Supervisors will need to temporarily suspend the City's financial policies. Charter Section 9.120 requires the Board of Supervisors to adopt financial policies, and to suspend these policies by a two-third's vote in any year in which it seeks to approve a budget that the Controller determines is inconsistent with these policies. The Board of Supervisors has adopted a nonrecurring revenue policy, codified in Administrative Code Section 10.61, which requires selected nonrecurring revenues to be used only for nonrecurring expenditures. Fiscal year 2021-22 of the Mayor's Proposed Budget relies on $331.6 million of one-time reserves and only $88.6 million of one-time expenditures. The Controller's Office has advised the Mayor's Budget Office of the need to propose a resolution to suspend the financial policies in fiscal year 2021-22.

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

On October 1, 2020, the Mayor signed the Final Adopted Budget, which was approved by the Board of Supervisors on September 29, 2020. The Board of Supervisors made amendments from the Mayor's Proposed Budget outlined above, primarily re-allocating funding to reflect Board priorities. Significantly, it chose to fund wage increases for miscellaneous employees for fiscal year 2020-21 by spending part of the repayment of General Fund advances from June and November 2018 Proposition C Homeless Gross Receipts Tax and Commercial Rent Tax. A portion of these funds are dependent on the passage of a November 2020 business tax reform measure.

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

BUDGETARY RISKS

Threat of Extended Recession

Following the widespread shutdown of businesses and supply chain disruption in response to the COVID-19 pandemic, on June 8, 2020 the National Bureau of Economic Research announced that the US officially entered into a recession in February 2020. According to the California Employment Development Department, the State's unemployment rate hit a record high of 16.4% in April 2020 and has decreased to 11.4% as of August 2020. In the "Great Recession" that occurred nationally from December 2007 to June 2009 (according to the U.S. National Bureau of Economic Research), California real GDP growth slowed for five consecutive quarters from the third quarter of 2008 to the third quarter of 2009 and did not return to pre-recession level of output until three years later in the third quarter of 2012. The unemployment rate rose steadily from 4.9% in the fourth quarter of 2006 to peak at 12.3 percent in the fourth quarter of 2010 and did not return to the pre-recession level until the second quarter of 2017. More than a third of California jobs are in sectors that are immediately vulnerable to stay-at-home emergency orders.

Commuting Pattern Changes

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

COVID-19 Pandemic

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

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

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

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

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

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

As part of its restructuring, on June 9, PG&E announced that it would be relocating its business headquarters, currently located at 245 Market Street and 77 Beale Street in San Francisco, to Oakland. The relocation is scheduled to begin June 2022.

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

On August 28, 2017, the California Supreme Court in California Cannabis Coalition v. City of Upland (August 28, 2017, No. S234148) ("Upland Decision") interpreted Article XIIIC, Section 2(b) of the State Constitution, which requires local government proposals imposing general taxes to be submitted to the voters at a general election (i.e. an election at which members of the governing body stand for election). The court concluded such provision did not to apply to tax measures submitted through the citizen initiative process. Under the Upland Decision, citizens exercising their right of initiative may now call for general or special taxes on the ballot at a special election (i.e. an election where members of the governing body are not standing for election). The court did not, however, resolve whether a special tax submitted by voter

initiative needs only simple majority voter approval, and not the super-majority (i.e. two-thirds) voter approval required of special taxes placed on the ballot by a governing body. On June 5, 2018 voters of the City passed by majority vote two special taxes submitted through the citizen initiative process: a Commercial Rent Tax for Childcare and Early Education ("June Proposition C") and a Parcel Tax for the San Francisco Unified School District ("Proposition G" and, together with June Proposition C, the "June Propositions C and G"). In addition, on November 6, 2018 voters passed by a majority vote a special tax submitted through the citizen initiative process: a Homelessness Gross Receipts Tax ("November Proposition C"), a gross receipts tax on larger companies in the City to fund affordable housing, mental health, and other homeless services. The estimated annual values of June Propositions C and G are approximately $146 million and $50 million, respectively. The estimated annual value of November Proposition C is approximately $250 million to $300 million.

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

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

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

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

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

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

The November 2020 ballot includes three major revenue initiatives, which could significantly impact local finance:

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

- A transfer tax rate increase, doubling the rates on real property transfers over $10 million. The Controller's Office estimates the measure could increase transfer tax revenue between $13.0 million to $346.0 million. This measure is not assumed in the Final Adopted Budget.

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

Impact of the State of California Budget on Local Finances

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

The State has publicly stated that the state's General Fund will be materially adversely impacted by the health-related and economic impacts of the COVID-19 pandemic. Efforts to respond to and mitigate the

spread of COVID-19 have had a severe impact on the state and national economy, triggered a historic drop and ongoing volatility in the stock market, and a recession.

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

The greatest known impact of the State budget on the City's General Fund budget is the reduction of 1991 and 2011 realignment funding, which supports health, human services, and public safety agencies. For fiscal year 2020-21, the loss to the City is projected to total approximately $40 million, compared to the City's pre-COVID-19 projection in the January 2020 Joint Report. However, the City's share of the State's temporary backfill is expected to be $28 million, partially offsetting this loss. In addition, the State is passing its share of federal Coronavirus Relief Fund monies to counties. San Francisco is expected to receive $20.6 million from this source.

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

Impact of Federal Government on Local Finances

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

In the event Congress and the President fail to enact appropriations, budgets or debt ceiling increases on a timely basis in the future, such events could have a material adverse effect on the financial markets and economic conditions in the United States and an adverse impact on the City's finances. The City cannot predict the outcome of future federal budget deliberations and the impact that such budgets will have on the City's finances and operations. The City's General Fund and hospitals, which are supported by the

General Fund, collectively receive over $1 billion annually in federal subventions for entitlement programs, the large majority of which are reimbursements for care provided to Medicaid and Medicare recipients. In addition, tens of thousands of San Franciscans receive federal subsidies to purchase private insurance on the state's health care exchange, Covered California. Federal efforts to repeal or eliminate such subsidies, or repeal, replace or alter provisions of the Affordable Care Act through regulatory changes, could have significant effects on future health care costs. In addition, the state Department of Health Care Services is currently negotiating with the federal Centers for Medicare and Medicaid Services on a successor to California's Section 1115(a) Medicaid waivers, which expire on December 31, 2020. The next waiver could significantly affect allocations to counties, but the City cannot predict the outcome of this process. To help address these risks, the City's adopted fiscal year 2019-20 Original Budget included a $40 million reserve to manage state, federal, and other revenue uncertainty, and a $50 million reserve to address changes to the Affordable Care Act. The Final Adopted Budget transfers the balance from these contingency reserves into the new COVID Response and Economic Loss Reserve. See "—COVID Response and Economic Loss Reserve" above.

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

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

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

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

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

obligations and the authority to take actions that AB 26 and AB 1484 require or allow and (iv) established the composition and terms of the members of the Successor Agency Commission.

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

GENERAL FUND REVENUES

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

PROPERTY TAXATION

Property Taxation System – General

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

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30th, the City Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value for that fiscal year. The Controller also compiles a schedule of tax rates including the 1.0% tax authorized by Article XIIIA of the State Constitution (and mandated by statute), tax surcharges needed to repay voter-approved general obligation bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. Typically, the Board of Supervisors approves the schedule of tax rates each year by ordinance adopted no later than the last working day of September. For FY2020-21, the Board of Supervisors approved the schedule of tax rates by resolution. The Treasurer and Tax Collector prepares and mails tax bills to taxpayers and collect the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See "Taxation of State-Assessed Utility Property" below.

Assessed Valuations, Tax Rates and Tax Delinquencies

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

The total tax rate shown in Table A-7 includes taxes assessed on behalf of the City as well as the San Francisco Unified School District (SFUSD), County Office of Education (SFCOE), SFCCD, Bay Area Air Quality Management District (BAAQMD), and San Francisco Bay Area Rapid Transit District (BART), all of which are legal entities separate from the City. See also, Table A-32: "Statement of Direct and Overlapping Debt and Long-Term Obligations." In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

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

The percent collected of property tax (current year levies excluding supplemental) was 99.05% for fiscal year 2019-20. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 99 for the fiscal year July 1, 2019 to June 30, 2020. For the fiscal year 2018-19 a total of 86 trustee deeds were recorded compared to 111 for fiscal year 2017-18 and 92 for fiscal year 2016-17. It is possible that the COVID-19 Emergency will result in increased foreclosures in the City, and the effect of such increased foreclosures could be material.

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TABLE A-7

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

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

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

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

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

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

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

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

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

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

Under Article XIIIA of the State Constitution added by Proposition 13 in 1978, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. Taxpayers can appeal the Assessor's determination of their property's assessed value, and the appeals may be retroactive and for multiple

years. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with counties' property assessments.

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

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

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

TABLE A-8

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

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

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

As of July 1, 2020 the Assessor granted 2,797 temporary decline-in-value reductions resulting in the properties assessed values being reduced by a cumulative value of $377.88 million (using the 2019-2020 tax rate of 1.1801% this equates to a reduction of approximately $4.46 million in General Fund taxes), compared to July 1, 2019, when the Assessor granted 2,546 temporary reductions in property assessed values worth a total of $244.01 million (equating to a reduction of approximately $2.84 million in General Fund taxes). Of

the 2,797 total reductions, 633 temporary reductions were granted for residential properties, 2,065 reductions were for timeshares and 99 reductions were for historically designated properties with an existing Mills Act Contract with the City and County of San Francisco. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board ("AAB") within a certain period. For regular, annual secured property tax assessments, the period for property owners to file an appeal is between July 2nd and September 15th. If the 15th falls on a Saturday or Sunday, applications filed or postmarked the next business day are considered timely.

As of June 30, 2020, the total number of open appeals before the AAB was 1,166. During the fiscal year 2019-2020 there were 1,417 new applications filed. The difference between the current assessed value and the taxpayer's opinion of values for all the open applications is $15.7 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all the taxpayer's requests, a negative potential total property tax impact of about $185.7 million would result. The General Fund's portion of that potential $185.7 million would be approximately $87.4 million.

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

Tax Levy and Collection

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

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

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

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

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

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

In connection with the COVID-19 Emergency, on May 5, 2020 a resolution was approved by the San Francisco Board of Supervisors setting the property tax deadline to May 15, 2020. Property owners unable to pay their property taxes by this deadline due to the COVID-19 crisis are able to request a penalty waiver. As a result of the Governor's Executive Order N-61-20**,** if a property owner is approved for a waiver and is unable to pay property taxes for a primary residence or small business due to COVID-19, an extension until May 6, 2021 will be granted without any late payment penalties.

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. Additionally, the Teeter Plan was extended to include the allocation and distribution of special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) in June 2017 (effective fiscal year 2017-18) and for the Bay Restoration Authority Parcel Tax, SFUSD School Facilities Special Tax, SFUSD School Parcel Tax, and City College Parcel Tax in October 2017 (effective fiscal year 2018-19). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current

delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-9. The Tax Loss Reserve sets aside 1% of the total of all taxes and assessments levied for which the Teeter Plan is the applicable distribution method. The purpose of the Tax Loss Reserve is to cover losses that may occur. The amount has grown in recent years as the assessed values on the secured roll has grown.

TABLE A-9

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

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

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

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

TABLE A-10

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

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

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

Taxation of State-Assessed Utility Property

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

OTHER CITY TAX REVENUES

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

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

See Table A-11 below for a summary of revenue source as a percentage of total General Fund revenue based on audited financials for FY2018-19 and the Final Adopted Budget for FY2020-21.

TABLE A-11

Revenue Source	2018-19 Audited Actuals		2020-21 Final Adopted Budget	
Property Taxes	$2,248,004	*38.2%*	$2,019,600	*38.6%*
Business Taxes	$917,811	*15.6%*	$826,400	*15.8%*
Other Local Taxes[1]	$1,215,306	*20.6%*	$657,990	*12.6%*
Licenses, Permits and Franchises	$27,960	*0.5%*	$23,175	*0.4%*
Fines, Forfeitures and Penalties	$4,740	*0.1%*	$2,338	*0.0%*
Interest and Investment Income	$88,523	*1.5%*	$23,490	*0.4%*
Rents and Concessions	$14,460	*0.2%*	$10,948	*0.2%*
Intergovernmental	$1,069,349	*18.2%*	$1,380,693	*26.4%*
Charges for Services	$257,814	*4.4%*	$257,295	*4.9%*
Other	$46,254	*0.8%*	$25,254	*0.5%*
Total Revenues	$5,890,221	*100.0%*	$5,227,184	*100.0%*

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

Business Taxes

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

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

Business tax revenue in fiscal year 2018-19 was $919.6 million (all funds), representing an increase of $20.4 million (2.3%) from fiscal year 2017-18. Business tax revenue was budgeted at $1,052.7 million in the fiscal year 2019-20 Original Budget which would represent an increase of $133.2 million (14.5%) over fiscal year 2018-19 revenue. Business tax was projected to be $846.0 million for fiscal year 2019-20 in the May Update. The fiscal year 2020-21 Final Adopted Budget is $828.9 million, a decrease of $223.8 million (21.3%) from the fiscal year 2019-20 Original Budget and decrease of $17.1 million (2.0%) from the 2019-20 May Update. The fiscal year 2021-22 Final Adopted Budget is $1,033.4 million, an increase of $204.5 million (24.7%) from the fiscal year 2020-21 Final Adopted Budget. The vast majority of the City's business tax is deposited in the General Fund; approximately $2.0 million is allocated to the Neighborhood Beautification Fund. These figures do not assume gross receipts revenue related to either of the business tax measures approved by voters in 2018 (June Proposition C and November Proposition C).

Revenues from business tax and registration fees follow economic conditions in the City, primarily employment and wage growth. The COVID-19 emergency has significantly affected the business tax revenue base. The unemployment rate in the City rose to 12.6% in April (compared to 2.9% in January 2020) and remained at 12.5% in June before dropping to 8.8% in August 2020, the most recent data available. At the end of March, weekly initial unemployment claims peaked at about 27,000. Though weekly initial claims fell in the following weeks, since early May, initial claims have been around 5,000 weekly, more than five times higher than the average number of initial claims in the two months before the March 17 shelter-in-place order. Since March, thousands of businesses have closed temporarily, some permanently.

The Final Adopted Budget assumes underlying economic growth of -5% in tax year 2020 and +6% in tax year 2021, reflecting a quick recovery of employment lost to public health mandates. The projection also takes into account the Mayor's policies to provide relief to businesses during the pandemic through: (1) the

deferral of business registration taxes owed in fiscal year 2019-20 but deferred to fiscal year 2020-21 And (2) the deferral of business tax payments for small businesses throughout the tax period to February 2021. In addition, a measure on the November 2020 ballot to restructure businesses taxes is assumed to generate $4.0 million of business tax in fiscal year 2020-21 and $23.0 million in fiscal year 2021-22 as intended.

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

In the medium- to long-term, permanent relocations out of the San Francisco area could have a larger impact on the City's tax base. The Final Adopted Budget assumes that in calendar year 2020, 50% of workers in the Professional Services, Financial Services, and Information sectors who live outside of San Francisco now work from home instead of commuting into the City, and that in calendar year 2021, 25% telecommute. In fiscal year 2020-21, these assumptions about telecommuting reduce payroll tax revenue by 10.2% and gross receipts tax revenue by 7.7%. In fiscal year 2021-22, these assumptions reduce payroll tax and gross receipts tax revenues by 2.9% and 2.2%, respectively.

TABLE A-12

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

Fiscal Year[1]	Revenue	Change	
2016-17	$702,331	41,405	6.3%
2017-18	899,142	196,811	28.0%
2018-19	919,552	20,410	2.3%
2019-20 *budgeted*[2]	1,052,720	133,168	14.5%
2020-21 *budgeted*[3]	828,900	(223,820)	-21.3%
2021-22 *budgeted*[3]	1,033,400	204,500	24.7%

[1] Figures for fiscal years 2016-17 through 2018-19 are audited actuals. Includes portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax, and beginning in fiscal year 2013-14, Gross Receipts Tax revenues.

[2] Figures for fiscal year 2019-20 are Original Budget amounts. The May 2020 projection for FY 2019-20 revenue was $846.0 million.

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

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

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue in fiscal year 2018-19 ended at $414.3 million, an increase of $27.4 million (7.1%) from fiscal year 2017-18. In fiscal year 2019-20, hotel tax revenue was budgeted to be $427.1 million, representing growth of $12.7 million (3.1%). Hotel tax was projected to be $268.5 million for fiscal year 2019-20 in the May Update. The Final Adopted Budget for fiscal year 2020-21 reflects hotel tax revenue of $156.7 million, a decrease of $270.4 million (63.3%) from fiscal year 2019-20 Original Budget and decrease of $111.8 million (41.7%) from the fiscal year 2019-20 May Update. The fiscal year 2021-22 proposed budget is $266.0 million, an increase of $109.3 million (69.8%) from the fiscal year 2020-21 proposed budget. Hotel tax levels reflect the passage of a November 2018 ballot initiative (Proposition E) to shift a portion of hotel tax proceeds from the General Fund to arts and cultural programs effective January 1, 2019. Table A-13 includes hotel tax in all funds. The vast majority of the City's hotel tax is allocated to the General Fund, approximately $5 million of hotel tax is allocated for debt service on hotel tax revenue bonds, and approximately $28 to $34 million of hotel tax is allocated for arts and cultural programs.

The significant decline in fiscal year 2020-21 is due to the far-reaching impact of the pandemic on San Francisco's travel and hospitality industries. San Francisco's hotels are, on average, in the higher-priced tiers and rely on business travelers and tourists who arrive by air. Because of the COVID-19 pandemic, air travel is perceived as highly risky, and higher tier hotels are expected to be the slowest class of hotels to recover in this economic climate. Large gatherings and conferences, which normally drive up rates through compression pricing, remain prohibited in the City. As of July 2020, approximately 40% of San Francisco hotels remained closed, and occupancy rates for those that were open averaged 34.1%. Adjusted for room supply, the occupancy rate was 19.3%, an improvement from June's 16.0%, but still a dramatic reduction from July 2019 occupancy of 84.9%. The projected recovery of hotel tax revenue in fiscal year 2021-22 is largely based on the assumption that an effective vaccine and/or treatment allow large in person gatherings.

Revenue per Available Room (RevPAR), a measurement of hotel tax revenue growth, is a function of changes in occupancy and average daily room rates (ADR). Despite some slowdown in the growth in the hospitality industry, the year-over-year change of RevPAR has generally grown from fiscal years 2011-12 to 2018-19. During the first seven months of fiscal year 2019-20 RevPAR grew by 2.8% on average over the same period prior year. As airlines began suspending flights to and from China in February, RevPAR decreased 10.9%. The decline sharpened with the shelter in place order in March, and RevPAR in the City reached its record low of $15.89 in April, a 92.7% decrease from the same month prior year. Since then, as the City has slowly eased some restrictions, RevPAR has also increased slightly to $30.65 in June, still an 86.7% decrease from the same month in 2019. RevPAR is not expected to recover to pre-pandemic levels until fiscal year 2023-24.

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues - All Funds[1]
Fiscal Years 2016-17 through 2021-22
(000s)

Fiscal Year[2]	Tax Rate	Revenue	Change	
2016-17	14.0%	$375,291	(17,391)	-4.4%
2017-18	14.0%	385,550	10,259	2.7%
2018-19	14.0%	414,343	28,792	7.5%
2019-20 budgeted[3]	14.0%	427,080	12,737	3.1%
2020-21 budgeted[4]	14.0%	156,652	(270,428)	-63.3%
2021-22 budgeted[4]	14.0%	265,969	109,317	69.8%

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

[2] Figures for fiscal year 2016-17 through fiscal year 2018-19 are audited actuals.

[3] Figures for fiscal year 2019-20 are Original Budget amounts. The May 2020 projection for FY 2019-20 revenue was $268.5 million.

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

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

Real Property Transfer Tax

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

RPTT revenue for fiscal year 2018-19 was $364.0 million, an $83.6 million (29.8%) increase from fiscal year 2017-18 revenue. Fiscal year 2019-20 RPTT revenue is budgeted to be $296.1 million, $68.0 million (18.7%) less than fiscal year 2018-19. RPTT revenue was projected to be $320.0 million for fiscal year 2019-20 in the May Update. The fiscal year 2020-21 Final Adopted Budget is $138.0 million, a decrease of $158.0 million (53.4%) from fiscal year 2019-20 Original Budget and decrease of $182.0 million (56.9%) from the 2019-20 May Update. The fiscal year 2021-22 Final Adopted Budget is $253.4 million, an increase of $115.4 million (83.6%) from the fiscal year 2020-21 proposed budget. The entirety of RPTT revenue goes to the General Fund.

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

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

TABLE A-14

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

Fiscal Year[1]	Revenue	Change	
2016-17	$410,561	141,471	52.6%
2017-18	280,416	(130,145)	-31.7%
2018-19	364,044	83,628	29.8%
2019-20 *budgeted*[2]	296,053	(67,991)	-18.7%
2020-21 *budgeted*[3]	138,000	(158,053)	-53.4%
2021-22 *budgeted*[3]	253,420	115,420	83.6%

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

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

The May 2020 projection for FY 2019-20 revenue was $320.0 million.

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

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

Sales and Use Tax

The sales tax rate on retail transactions in the City is 8.50%, of which 1.00% represents the City's local share ("Bradley-Burns" portion). The State collects the City's local sales tax on retail transactions along with State and special district sales taxes, and then remits the local sales tax collections to the City. Between fiscal year 2004-05 and the first half of fiscal year 2015-16, the State diverted one-quarter of City's 1.00% local share of the sales tax and replaced the lost revenue with a shift of local property taxes to the City from local school district funding. This "Triple Flip" concluded on December 31, 2015, after which point the full 1.00% local tax is recorded in the General Fund.

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

TABLE A-15

San Francisco's Sales & Use Tax Rate

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

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

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

Local sales tax (the 1% portion) revenue in fiscal year 2018-19 is $213.6 million, $20.7 million (10.7%) more than fiscal year 2017-18. Fiscal year 2019-20 revenue is budgeted to be $204.1 million, a decrease of $9.5 million (4.5%) from fiscal year 2018-19, due to one-time prior year payments received in fiscal year 2018-19. Sales tax revenue was revised to be $170.3 million for fiscal year 2019-20 in the May Update. The fiscal year 2020-21 Final Adopted Budget is $183.7 million, a decrease of $20.4 million (10%) from fiscal year 2019-20 Original Budget and an increase of $13.4 million (7.9%) from the 2019-20 May Update. The fiscal year 2021-22 Final Adopted Budget is $185.3 million, an increase of $1.6 million (0.9%) from the fiscal year 2020-21 Final Adopted Budget. The entirety of sales tax revenue is deposited in the General Fund.

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

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

TABLE A-16

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

Fiscal Year[1]	Tax Rate	City Share	Revenue	Change	
2016-17	8.75%	1.00%	$189,473	(14,645)	-8.7%
2017-18	8.50%	1.00%	192,946	3,473	1.8%
2018-19	8.50%	1.00%	213,625	20,679	10.7%
2019-20 *budgeted*[2]	8.50%	1.00%	204,085	(9,540)	-4.5%
2020-21 *budgeted*[3]	8.50%	1.00%	183,670	(20,415)	-10.0%
2021-22 *budgeted*[3]	8.50%	1.00%	185,300	1,630	0.9%

1 Figures for fiscal year 2016-17 through fiscal year 2018-19 are audited actuals.

2 Figures for fiscal year 2019-20 are Original Budget amounts. The May 2020 projection for FY 2019-20 revenue was $170.3 million.

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

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

Other Local Taxes

The City imposes a number of other general purpose taxes:

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

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

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

- Sugar Sweetened Beverage Tax – A one cent per ounce tax on the distribution of sugary beverages. This measure was adopted by voters on November 9, 2016 (Prop V) and took effect on January 1, 2018.
- Stadium Admission Tax – A tax between $0.25 and $1.50 per seat or space in a stadium for any event, with some specific exclusions.

- Cannabis Tax – A gross receipts tax of 1% to 5% on marijuana business and permits the City to tax businesses that do not have a physical presence in the City. This measure was adopted by voters in November 2018 (Prop D) but the tax does not go into effect until January 1, 2021.

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

Table A-17 reflects the City's actual tax receipts for fiscal years 2016-17 through 2018-19, and budgeted receipts for fiscal years 2019-20 through 2021-22.

As with the larger tax revenues described above, the City anticipates these sources will be impacted by the course of the COVID-19 pandemic and pace of economic recovery. Consistent with the other tax revenues, the Mayor's fiscal year 2020-21 adopted budget assumes that the local economy continues to be depressed in the first half of the fiscal year but begins to recover in the second half of the fiscal year. Fiscal year 2021-22 is assumed to rebound, as economic activity is anticipated to grow.

TABLE A-17

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

Tax	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	2019-20 Budget[1]	2020-21 Budget[2]	2021-22 Budget[2]
Utility Users Tax	$101,203	$94,460	$93,918	$98,710	$81,090	$88,990
Access Line Tax	46,530	51,255	48,058	48,910	48,900	51,990
Parking Tax	84,278	83,484	86,020	83,000	59,350	84,580
Sugar Sweetened Beverage Tax	N/A	7,912	16,098	16,000	14,000	14,000
Stadium Admissions Tax	1,199	1,120	1,215	5,500	2,500	4,400
Cannabis Tax	N/A	N/A	N/A	3,000	4,250	8,500
Franchise Tax	17,130	16,869	15,640	17,650	15,640	15,640

[1] Figures for fiscal year 2019-20 are Original Budget amounts.
[2] Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

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

INTERGOVERNMENTAL REVENUES

State Subventions Based on Taxes

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

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

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

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

Table A-18 reflects the City's actual receipts for fiscal years 2016-17 through 2018-19 and budgeted receipts for fiscal years 2019-20 through 2021-22. As described in the "Impact of the State of California Budget on Local Finances" section above, State-wide sales tax is anticipated to decline and therefore, formula-driven subventions to counties are also expected to decline. The State of California's budget temporarily backfills county realignment revenues in fiscal year 2020-21. The value of this backfill to the City and County of San Francisco is $28.0 million.

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TABLE A-18

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

Tax	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	2019-20 Budget[1]	2020-21 Budget[2]	2021-22 Budget[2]
Health and Welfare Realignment						
General Fund	$192.1	$197.9	$217.6	$221.0	$190.1	$197.0
Hospital Fund	66.1	57.3	58.5	59.1	49.2	49.2
Total - Health and Welfare	**$258.2**	**$255.2**	**$276.1**	**$280.1**	**$239.4**	**$246.2**
Backfill Realignment[3]						
General Fund					$22.1	
Non General Fund					6.0	
Total - Backfill Realignment					**$28.0**	
Public Safety Realignment (General Fund)	$35.5	$37.4	$39.4	$42.1	$36.1	$33.2
Public Safety Sales Tax (Prop 172) (General Fund)	$100.4	$104.8	$107.6	$104.6	$97.1	$103.6

1 Figures for fiscal year 2019-20 are Original Budget amounts. For Health and Welfare Realignment revenue, the May 2020 projection for FY 2019-20 was $196.2 for General Fund and $52.3 for Hospital Fund. The May 2020 projection for FY 2019-20 for Public Safety Realignment revenue was $27.3 million and $90.5 million for Public Safety Sales Tax (Prop 172) revenue.

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

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

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

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

General Fund Expenditures by Major Service Area

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

TABLE A-19

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

Major Service Areas	2016-17 Final Budget	2017-18 Final Budget	2018-19 Final Budget	2019-20 Original Budget	2020-21 Original Budget[1]	2021-22 Original Budget[1]
Public Protection	$1,266,148	$1,316,870	$1,390,266	$1,493,084	$1,448,004	$1,419,535
Human Welfare & Neighborhood Development	978,126	1,047,458	1,120,892	1,183,587	1,477,225	1,272,305
Community Health	763,496	832,663	967,113	950,756	1,152,275	1,004,399
General Administration & Finance	252,998	259,916	290,274	596,806	363,650	367,768
Culture & Recreation	139,473	142,081	154,056	173,969	158,511	167,908
General City Responsibilities	134,153	114,219	172,028	193,971	219,635	175,806
Public Works, Transportation & Commerce	166,295	238,564	214,928	208,755	186,729	167,017
Total[2]	$3,700,689	$3,951,771	$4,309,557	$4,800,929	$5,006,029	$4,574,738

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

[2] Total may not add due to rounding

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

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

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

Voter-Mandated Spending Requirements

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

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

TABLE A-20

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

	2020-21 Original Budget[1]	2021-22 Original Budget[1]
Projected General Fund Aggregate Discretionary Revenue (ADR)	***$3,486.8***	***$3,905.4***
Municipal Transportation Agency (MTA)		
MTA - Municipal Railway Baseline: 6.686% ADR	$240.7	$276.7
MTA - Parking & Traffic Baseline: 2.507% ADR	87.4	97.9
MTA - Population Adjustment	55.4	57.6
MTA - 80% Parking Tax In-Lieu	47.5	67.7
Subtotal - MTA	**$431.0**	**$499.8**
Library Preservation Fund		
Library - Baseline: 2.286% ADR	$79.7	$89.3
Library - Property Tax: $0.025 per $100 Net Assessed Valuation (NAV)	67.4	67.3
Subtotal - Library	**$147.1**	**$156.6**
Children's Services		
Children's Services Baseline - Requirement: 4.830% ADR	*$168.4*	*$188.6*
Children's Services Baseline - Eligible Items Budgeted	193.6	208.9
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	*20.2*	*22.7*
Transitional Aged Youth Baseline - Eligible Items Budgeted	30.9	31.0
Public Education Services Baseline: 0.290% ADR	10.1	11.3
Children and Youth Fund Property Tax Set-Aside: $0.0375-0.4 per $100 NAV	107.8	107.7
Public Education Enrichment Fund: 3.057% ADR	*106.6*	*119.4*
1/3 Annual Contribution to Preschool for All	35.5	39.8
2/3 Annual Contribution to SF Unified School District	71.1	79.6
Subtotal - Children's Services	**$449.0**	**$478.3**
Recreation and Parks		
Open Space Property Tax Set-Aside: $0.025 per $100 NAV	$67.4	$67.3
Recreation & Parks Baseline - Requirement	76.2	79.2
Recreation & Parks Baseline - Budgeted	84.0	80.5
Subtotal - Recreation and Parks	**$151.4**	**$147.8**
Other		
Housing Trust Fund Requirement	$39.6	$42.4
Housing Trust Fund Budget	39.6	42.4
Dignity Fund	50.1	53.1
Street Tree Maintenance Fund: 0.5154% ADR	18.0	20.1
Municipal Symphony Baseline: $0.00125 per $100 NAV	3.8	3.7
City Services Auditor: 0.2% of Citywide Budget	22.9	21.4
Subtotal - Other	**$134.3**	**$140.8**
Recently Adopted Expenditure Requirements		
Our City, Our Home Baseline Requirement (Nov 2018 Prop C)	*215.0*	*215.0*
Our City, Our Home Budget, Estimated	266.8	279.8
Early Care and Education Baseline Requirement (June 2018 Prop C)	*79.7*	*86.5*
Early Care and Education Budget	90.8	98.0
Total Baselines and Set-Asides	**$1,670.3**	**$1,801.1**

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

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

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

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

Labor Relations

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

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

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

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

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

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

In September 2020, the City negotiated MOU extensions with labor organizations representing sworn members of Fire and Police departments. These MOU amendments are currently pending Board of Supervisors approval.

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

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TABLE A-21

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

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

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

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

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

The City is estimating, on a preliminary basis, that returns for fiscal year 2019-20 will be 2.41% These returns are lower than had been projected when the contribution rate for fiscal year 2020-21 was established, because the COVID-19 Emergency and the ensuing recession have led to stock market volatility. A decline in market value could result in future increases in required pension fund contributions.

History and Administration

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

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

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

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

Membership

Retirement System members include eligible employees of the City, SFUSD, SFCCD, and the San Francisco Trial Courts. The Retirement System estimates that the total active membership as of July 1, 2019 is 44,157, compared to 43,129 at July 1, 2018. Active membership at July 1, 2019 includes 8,911 terminated vested members and 1,044 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 30,778 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

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

TABLE A-22

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

As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2015	30,837	5,960	1,024	37,821	27,485	1.122
2016	32,406	6,617	1,028	40,051	28,286	1.146
2017	33,447	7,381	1,039	41,867	29,127	1.148
2018	33,946	8,123	1,060	43,129	29,965	1.133
2019	34,202	8,911	1,044	44,157	30,778	1.111

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

Notes: Member counts exclude DROP participants. There are no active DROP members on or after July 1, 2016
Member counts are for the entire Retirement System and include non-City employees.

Funding Practices

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

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

At the November 2018 Retirement Board meeting, the Board voted to lower the assumed long-term investment earnings assumption from 7.50% to 7.40%, maintain the long-term wage inflation assumption at 3.50%, and lower the long-term consumer price inflation assumption from 3.00% to 2.75%. These economic assumptions were first effective for the July 1, 2018 actuarial valuation and were approved again by the Board for the July 1, 2019 actuarial valuation at their July 2019 meeting. The Board had previously lowered the long-term wage inflation assumption from 3.75% to 3.50% at its November 2017 meeting effective for the July 1, 2017 actuarial valuation. In November 2015 the Board voted to update demographic assumptions, including mortality, after review of a new demographic assumptions study by the consulting actuarial firm.

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

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

Employer Contribution History and Annual Valuations

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

Table A-23 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2014-15 through 2018-19. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable

contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

TABLE A-23

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

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

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

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

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

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

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

Risks to City's Retirement Plan

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

Governmental Accounting Standards Board ("GASB") Disclosures

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

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

Table A-22(a) below shows for the five most recent fiscal years the collective Total Pension Liability, Plan Fiduciary Net Position (market value of assets), and Net Pension Liability for all employers who sponsor the Retirement System. The City's audited financial statements disclose only its own proportionate share of the Net Pension Liability and other required GASB 68 disclosures.

TABLE A-22(a)

City and County of San Francisco
Employees' Retirement System
GASB 67/68 Disclosures
Fiscal Years 2014-15 through 2018-19
(000s)

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

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

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

Asset Management

The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships. For a breakdown of the asset allocation as of June 30, 2019, see the City's CAFR.

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

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

2011 Voter Approved Changes to the Retirement Plan

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

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

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

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

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

of 3.5% to 11.5% and those who earn $100,000 or more per year pay a fluctuating rate in the range of 2.5% to 12.5%. Similar fluctuating employee contributions are also required from Safety employees; and

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

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

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

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

Impact on the Retirement System from Changes in the Economic Environment

As of June 30, 2019, the audited market value of Retirement System assets was $26.1 billion. As of August 31, 2020, the unaudited value of the System assets was $28.4 billion. These values represent, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be lower or higher. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are audited at each fiscal year end as part of the annual audit of the Retirement System's financial statements.

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

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

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Section A8.510 of the Charter requires the City to pay the full amount required by the actuarial valuations. The actual total employer contributions to CalPERS was $30.7 million in fiscal year 2017-18, and $34.9 million in fiscal year 2018-19. In addition to the required amounts, the City elected to pay an additional amount of $8.4 million in fiscal years 2017-18, 2018-19 and 2019-2020 in order to reduce its unfunded liability. Further discussion of the City's CalPERS plan obligations is summarized in Note 9 to the City's CAFR, as of June 30, 2019. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 75 Reporting Requirements*."

Medical Benefits

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

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

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

The San Francisco Health Service System oversees a trust fund (the "Health Service Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the City Beneficiaries are funded. The San Francisco Health Service System issues an annual, publicly available, independently-audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained through the SFHSS website, by writing to the San Francisco Health

Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (628) 652-4770. Audited annual financial statements for prior years are posted to the SFHSS website, however the information available on the SFHSS website is not incorporated in this Official Statement by reference.

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

Determination of Employer and Employee Contributions for Medical Benefits

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

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

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City Contribution for Retirees

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

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

Health Care Reform

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

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

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

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

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

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

Employer Contributions for San Francisco Health Service System Benefits

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

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

Post-Employment Health Care Benefits

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

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

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

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

GASB 75 Reporting Requirements

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

City's Estimated Liability

The City is required by GASB 75 to prepare a new actuarial study of its postemployment benefits obligation at least once every two years. As of the measurement date of June 30, 2018, used in the most recent actuarial valuation report dated November 2019, the retiree health care fiduciary plan net position as a percentage of the total OPEB liability was 6.6%. This reflects the net position of the Retiree Health Care Trust Fund in the amount of $255.9 million divided by the total OPEB liability of $3.9 billion. As of June 30, 2019, the estimated covered payroll (annual payroll of active employees covered by the plan) was $3.58 billion and the ratio of the Net OPEB liability to the covered payroll was 100.5%.

While GASB 75 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB liability. See Note 9(b) and the Required Supplementary Information to the City's CAFR, as of June 30, 2019. Five-year trend information is displayed in Table A-24, which reflects the annual OPEB expense and the City's charter mandated payments on a percentage basis. For example, for fiscal year 2018-19 the annual OPEB expense was $320.3 million, and the City paid $218.6 million, which includes "pay-as-you-go" benefit payments and contributions to the Retiree Health Care Trust Fund.

TABLE A-24

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

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

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

Total City Employee Benefits Costs

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

Table A-25 below provides a summary of the City's employee benefit actual and budgeted costs from fiscal year 2016-17 to fiscal year 2021-22.

TABLE A-25

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

	2016-17 Actual[1]	2017-18 Actual[1]	2018-19 Actual[1]	2019-20 Budget[4]	2020-21 Budget[4]	2021-22 Budget[4]
SFERS and PERS Retirement Contributions	$554,956	$621,055	$650,011	$733,385	$785,106	$803,986
Social Security & Medicare	196,914	$212,782	$219,176	$229,342	$231,962	$233,802
Health - Medical + Dental, active employees [2]	459,772	$501,831	$522,006	$525,511	$547,396	$576,005
Health - Retiree Medical [2]	165,822	$178,378	$186,677	$195,607	$218,896	$232,047
Other Benefits [3]	21,388	$44,564	$26,452	$23,308	$31,742	$37,642
Total Benefit Costs	$1,398,852	$1,558,609	$1,604,322	$1,707,153	$1,815,103	$1,883,482

[1] Fiscal year 2015-16 through fiscal year 2018-19 figures are audited actuals.
[2] Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.
[3] "Other Benefits" includes unemployment insurance premiums, life insurance and other miscellaneous employee benefits.
[4] Figures for fiscal year 2019-20 are Original Budget amounts and Final Adopted Budget for 2020-21 and 2021-22 .

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

INVESTMENT OF CITY FUNDS

Investment Pool

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

Investment Policy

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

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

Investment Portfolio

As of September 30, 2020, the City's surplus investment fund consisted of the investments classified in Table A-26 and had the investment maturity distribution presented in Table A-27.

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TABLE A-26

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of September 30, 2020

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$5,521,000,000	$5,524,406,162	$5,542,616,725
Federal Agencies	3,096,524,000	3,096,235,542	3,141,536,902
State and Local Obligations	56,736,414	56,407,741	57,328,403
Public Time Deposits	45,000,000	45,000,000	45,000,000
Negotiable Certificates of Deposit	730,000,000	730,000,000	731,461,125
Medium Term Notes	5,000,000	4,997,000	5,037,500
Money Market Funds	1,346,865,590	1,346,865,590	1,346,865,590
Supranationals	482,135,000	480,489,191	485,455,278
Total	$11,283,261,004	$11,284,401,225	$11,355,301,524

September Earned Income Yield: 0.912%

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

TABLE A-27

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of September 30, 2020

Maturity in Months			Par Value	Percentage
0	to	1	2,635,214,590	23.36%
1	to	2	1,164,715,000	10.32%
2	to	3	1,093,750,000	9.69%
3	to	4	1,050,000,000	9.31%
4	to	5	969,000,000	8.59%
5	to	6	1,311,800,000	11.63%
6	to	12	981,571,414	8.70%
12	to	24	1,661,575,000	14.73%
24	to	36	100,140,000	0.89%
36	to	48	70,495,000	0.62%
48	to	60	245,000,000	2.17%
			$11,283,261,004	100.00%

Weighted Average Maturity: 202 Days

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

Further Information

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

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2019 are described in the City's CAFR, Notes 2(c) and 5.

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a 10-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC makes recommendations to the Mayor and Board of Supervisors on the City's capital expenditures and plans. The CPC reviews and submits the Capital Plan, Capital Budget, and issuances of long-term debt for approval. The CPC is chaired by the City Administrator and includes the President of the Board of Supervisors, the Mayor's Budget Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the Municipal Transportation Agency, the General Manager of the Public Utilities Commission, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

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

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal years 2020-2029 Capital Plan was approved by the CPC on April 17, 2019 and was adopted by the Board of Supervisors on April 30, 2019. The Capital Plan contains $39.1 billion in capital investments over the coming decade for all City departments, including $5.1 billion in projects for General

Fund-supported departments. The Capital Plan proposes $2.2 billion for General Fund pay-as-you-go capital projects over the next 10 years. The amount for General Fund pay-as-you-go capital projects is assumed to grow to over $200 million per year by fiscal year 2023-24. Major capital projects for General Fund-supported departments included in the Capital Plan consist of critical seismic projects and relocation of staff from seismically vulnerable facilities; upgrades to public health, police, and fire facilities; transportation and utility system improvements; improvements to homeless service sites; street and right-of-way improvements; the removal of barriers to accessibility; and park improvements, among other capital projects. $3.5 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long- term obligations, subject to planning policy constraints. The balance is expected to be funded by federal and State funds, the General Fund and other sources.

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

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

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

Tax-Supported Debt Service – City General Obligation Bonds

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds" or "GO bonds") can only be authorized with a two-thirds approval of the voters. As of October 1, 2020, the City had approximately $2.3 billion aggregate principal amount of GO bonds outstanding. In addition to the City's general obligation bonds, BART, SFUSD and SFCCD also have outstanding general obligation as shown in Table A-33.

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

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TABLE A-28

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of October 1, 2020 [1] [2]

Fiscal Year	Principal	Interest	Annual Debt Service
2020-21	$169,135,457	$94,812,451	$263,947,909
2021-22	152,258,401	87,470,752	239,729,153
2022-23	155,820,251	80,274,814	236,095,064
2023-24	158,711,206	72,823,376	231,534,581
2024-25	160,711,476	65,234,398	225,945,874
2025-26	153,426,279	57,661,692	211,087,971
2026-27	159,715,840	50,832,850	210,548,690
2027-28	165,444,035	44,059,266	209,503,302
2028-29	166,776,751	37,389,568	204,166,319
2029-30	164,075,095	30,520,738	194,595,833
2030-31	127,036,950	23,914,964	150,951,914
2031-32	131,425,000	19,216,315	150,641,315
2032-33	97,790,000	14,621,894	112,411,894
2033-34	74,400,000	11,123,672	85,523,672
2034-35	66,765,000	8,564,767	75,329,767
2035-36	50,785,000	6,311,820	57,096,820
2036-37	39,310,000	4,630,429	43,940,429
2037-38	29,530,000	3,360,539	32,890,539
2038-39	10,035,000	2,406,407	12,441,407
2039-40	8,615,000	2,162,478	10,777,478
2040-41	1,795,000	1,954,971	3,749,971
2041-42	1,865,000	1,882,435	3,747,435
2042-43	1,940,000	1,807,070	3,747,070
2043-44	2,020,000	1,728,675	3,748,675
2044-45	2,100,000	1,647,047	3,747,047
2045-46	2,185,000	1,562,186	3,747,186
2046-47	2,275,000	1,473,890	3,748,890
2047-48	2,365,000	1,381,957	3,746,957
2048-49	2,460,000	1,286,387	3,746,387
2049-50	2,560,000	1,186,979	3,746,979
2050-51	2,670,000	1,076,361	3,746,361
2051-52	2,790,000	960,990	3,750,990
2052-53	2,910,000	840,435	3,750,435
2053-54	3,035,000	714,693	3,749,693
2054-55	3,165,000	583,551	3,748,551
2055-56	3,300,000	446,791	3,746,791
2056-57	3,445,000	304,198	3,749,198
2057-58	3,595,000	155,340	3,750,340
TOTAL [3]	**$2,288,241,740**	**$738,387,145**	**$3,026,628,885**

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

[2] Totals reflect rounding to nearest dollar.

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

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

Authorized but Unissued City GO Bonds

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

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

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

In June 2016, voters approved Proposition A ("2016 Public Health & Safety Proposition"), which authorized the issuance of up to $350.0 million in general obligation bonds to protect public health and safety, improve community medical and mental health care services, earthquake safety and emergency medical response; to seismically improve, and modernize neighborhood fire stations and vital public health and homeless service sites; to construct a seismically safe and improved San Francisco Fire Department ambulance deployment facility; and to pay related costs. The City issued $223.1 million over two series of the bonds in 2017 and 2018, leaving $126.9 million authorized and unissued.

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

In November 2019, voters approved Proposition A ("2019 Affordable Housing Proposition"), which authorized the issuance of up to $600.0 million in general obligation bonds to finance the construction, development, acquisition, and preservation of affordable housing for certain vulnerable San Francisco residents; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for SFUSD and City College of San Francisco employees; and to pay related costs. As of October 1, 2020, bonds have not been issued yet under this authorization.

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

Refunding General Obligation Bonds

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

TABLE A-29

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

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

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

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

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

Table A-30 below lists for each of the City's voter-authorized general obligation bond programs the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued and does not refer to any particular series. As of October 1, 2020, the City had authorized and unissued general obligation bond authority of approximately $2.0 billion.

TABLE A-30

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of October 1, 2020[1]

Bond Authorization Name	Election Date	Authorized Amount	Series	Bonds Issued	Bonds Outstanding	Authorized & Unissued
Seismic Safety Loan Program	11/3/92	$350,000,000	1994A	$35,000,000	-	
			2007A	$30,315,450	$17,151,740	[2]
			2015A	$24,000,000	-	
Reauthorization to Repurpose for Affordable Housing	11/8/16		2019A	$72,420,000	$71,525,000	$188,264,550
Clean & Safe Neighborhood Parks	2/5/08	$185,000,000	2008B	$42,520,000	-	
			2010B	$24,785,000	-	
			2010D	$35,645,000	$32,910,000	
			2012B	$73,355,000	-	
			2016A	$8,695,000	$6,855,000	-
San Francisco General Hospital & Trauma Center	11/4/08	$887,400,000	2009A	$131,650,000	-	
Earthquake Safety			2010A	$120,890,000	-	
			2010C	$173,805,000	$160,465,000	
			2012D	$251,100,000	$139,315,000	
			2014A	$209,955,000	$145,960,000	-
Earthquake Safety and Emergency Response Bond	6/8/10	$412,300,000	2010E	$79,520,000	-	
			2012A	$183,330,000	-	
			2012E	$38,265,000	$26,755,000	
			2013B	$31,020,000	$15,860,000	
			2014C	$54,950,000	$38,175,000	
			2016C	$25,215,000	$20,450,000	-
Road Repaving & Street Safety	11/8/11	$248,000,000	2012C	$74,295,000	-	
			2013C	$129,560,000	$66,195,000	
			2016E	$44,145,000	$35,795,000	-
Clean & Safe Neighborhood Parks	11/6/12	$195,000,000	2013A	$71,970,000	$36,785,000	
			2016B	$43,220,000	$22,255,000	
			2018A	$76,710,000	$43,145,000	
			2019B	$3,100,000	-	-
Earthquake Safety and Emergency Response Bond	6/3/14	$400,000,000	2014D	$100,670,000	$69,920,000	
			2016D	$109,595,000	$68,985,000	
			2018C	$189,735,000	$132,715,000	-
Transportation and Road Improvement	11/4/14	$500,000,000	2015B	$67,005,000	$39,985,000	
			2018B	$174,445,000	$98,115,000	
			2020B	$135,765,000	$135,765,000	$122,785,000
Affordable Housing Bond	11/3/15	$310,000,000	2016F	$75,130,000	$46,130,000	
			2018D	$142,145,000	$98,120,000	
			2019C	$92,725,000	$25,225,000	-
Public Health and Safety Bond	6/7/16	$350,000,000	2017A	$173,120,000	$112,175,000	
			2018E	$49,955,000	$35,195,000	$126,925,000
Embarcadero Seawall Earthquake Safety	11/6/18	$425,000,000	2020A	$49,675,000	$9,475,000	$375,325,000
Affordable Housing Bond	11/5/19	$600,000,000				$600,000,000
Earthquake Safety and Emergency Response Bond	3/3/20	$628,500,000				$628,500,000
SUBTOTAL		$5,491,200,000		$3,449,400,450	$1,751,401,740	$2,041,799,550

General Obligation Refunding Bonds	Dated Issued	Bonds Issued	Bonds Outstanding
Series 2011-R1	11/9/12	$339,475,000	$120,760,000
Series 2015-R1	2/25/15	$293,910,000	$220,830,000
Series 2020-R1	5/7/20	$195,250,000	$195,250,000
SUBTOTAL		$828,635,000	$536,840,000

TOTALS		**$5,491,200,000**	**$4,278,035,450**	**$2,288,241,740**	**$2,041,799,550**

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

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

General Fund Lease Obligations

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

Table A-31 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding long-term lease revenue bonds and certificates of participation as of October 1, 2020.

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TABLE A-31

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of October 1, 2020[1]

Fiscal Year[2]	Principal	Interest [3]	Annual Payment Obligation
2020-21 [4]	$46,945,000	$37,925,974	$84,870,974
2021-22	58,080,000	61,435,465	119,515,465
2022-23	61,305,000	58,765,744	120,070,744
2023-24	64,205,000	55,941,418	120,146,418
2024-25	65,305,000	52,955,087	118,260,087
2025-26	66,610,000	49,957,666	116,567,666
2026-27	69,745,000	46,794,502	116,539,502
2027-28	64,640,000	43,637,007	108,277,007
2028-29	69,600,000	40,500,835	110,100,835
2029-30	70,200,000	37,378,013	107,578,013
2030-31	65,535,000	34,517,264	100,052,264
2031-32	58,550,000	31,911,416	90,461,416
2032-33	59,625,000	29,519,716	89,144,716
2033-34	62,105,000	26,887,785	88,992,785
2034-35	53,165,000	24,516,247	77,681,247
2035-36	53,125,000	22,213,443	75,338,443
2036-37	52,505,000	19,873,029	72,378,029
2037-38	54,635,000	17,552,864	72,187,864
2038-39	56,845,000	15,136,956	71,981,956
2039-40	59,160,000	12,618,872	71,778,872
2040-41	61,560,000	9,997,668	71,557,668
2041-42	56,000,000	7,430,811	63,430,811
2042-43	20,990,000	5,247,200	26,237,200
2043-44	19,855,000	4,388,600	24,243,600
2044-45	20,650,000	3,594,400	24,244,400
2045-46	13,695,000	2,768,400	16,463,400
2046-47	14,245,000	2,220,600	16,465,600
2047-48	13,220,000	1,650,800	14,870,800
2048-49	13,750,000	1,122,000	14,872,000
2049-50	14,300,000	572,000	14,872,000
TOTAL [5]	**$1,460,150,000**	**$759,031,783**	**$2,219,181,783**

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

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

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

California HFA Revenue Bonds (San Francisco Supportive Housing - 833 BryantApartments) ($26,985,000)

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

[3] Totals reflect rounding to nearest dollar.

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

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

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

Voter-Approved Lease Revenue Bonds

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

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

In 1990, voters approved Proposition C ("1990 Proposition C"), which amended the Charter to authorize the City to lease- purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. 1990 Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed $20.0 million, with such amount increasing by five percent each fiscal year. As of September 1, 2020, the total authorized and unissued amount for such financings was $82.3 million.

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

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

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

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

*TABLE A-32**

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

Issue Name	Final Maturity	Original Par	Outstanding Principal
CERTIFICATES OF PARTICIPATION			
Series 2009C (525 Golden Gate Avenue)	2022	$38,120,000	$12,490,000
Series 2009D - Taxable BABs (525 Golden Gate Avenue)	2041	129,550,000	129,550,000
Refunding Series 2010A	2033	138,445,000	85,790,000
Refunding Series 2011A (Moscone Center South)	2024	23,105,000	9,420,000
Series 2012A (Multiple Capital Improvement Projects)	2036	42,835,000	32,580,000
Series 2013B - Non-AMT (Port Facilities Project)	2038	4,830,000	4,830,000
Series 2013C - AMT (Port Facilities Project)	2043	32,870,000	23,965,000
Refunding Series 2014-R1 (Courthouse Project)	2021	13,615,000	2,230,000
Refunding Series 2014-R2 (Juevenile Hall Project)	2034	33,605,000	26,030,000
Series 2015A (War Memorial Veterans Building)	2045	112,100,000	112,100,000
Series 2015B - Taxable (War Memorial Veterans Building)	2024	22,225,000	7,935,000
Refunding Series 2015-R1 (City Office Buildings - Multiple Properties)	2040	123,600,000	108,765,000
Series 2016A (War Memorial Veterans Building)	2032	16,125,000	12,540,000
Series 2017A - Taxable (Hope SF)	2047	28,320,000	26,445,000
Series 2017B (Moscone Convention Center Expansion Project)	2042	412,355,000	392,255,000
Series 2019A (49 South Van Ness Project)	2050	247,810,000	247,810,000
Refunding Series 2019-R1 (Multiple Capital Improvement Projects)	2035	116,460,000	107,005,000
Subtotal Certificates of Participation		**$1,535,970,000**	**$1,341,740,000**
LEASE PURCHASE FINANCING			
2010 Lease Purchase Financing (SFGH Emergency Backup Generators)	2025	$22,549,489	$10,951,575
2016 Lease Purchase Financing (Public Safety Radio Replacement Project)	2026	34,184,136	22,855,573
Subtotal Lease Revenue Bonds		**$56,733,625**	**$33,807,148**
FINANCE CORPORATION LEASE REVENUE BONDS			
Refunding Series 2008-1 (Moscone Center Expansion Project) - Variable	2030	$72,670,000	$36,100,000
Refunding Series 2008-2 (Moscone Center Expansion Project) - Variable	2030	72,670,000	36,100,000
Refunding Series 2010-R1 (Emergency Communications System)	2024	22,280,000	6,060,000
Refunding Series 2018A (Open Space Fund - Various Park Projects)	2029	34,950,000	29,090,000
Refunding Series 2018B (Branch Library Improvement Program)	2028	13,355,000	11,060,000
Subtotal Lease Revenue Bonds		**$215,925,000**	**$118,410,000**
Total General Fund Obligations		**$1,808,628,625**	**$1,493,957,148**

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

Board Authorized and Unissued Long-Term Certificates of Participation

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

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

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

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

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

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

Refunding Series 2020-R1: In September 2020, the Board authorized and the Mayor approved the issuance of not to exceed $97.5 million of City and County of San Francisco Refunding Certificates of Participation to prepay certain certificates of participation that financed and refinanced various capital improvement projects. The City anticipates issuing the refunding certificates in November 2020.

Commercial Paper Program

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

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

As of October 1, 2020, the outstanding principal amount of CP Notes is $120.63 million. The weighted average interest rate for the outstanding CP Notes is approximately 0.23%. The projects with Board Authorized and Unissued Certificates of Participation currently utilizing the CP Program include Animal Care and Control, Housing Trust Fund, and the Hall of Justice Relocation Project. Also utilizing the CP Program is the San Francisco General Hospital and Trauma Project which is financing the costs of the acquisition of furniture, fixtures and equipment ("SFGH FF&E"). The following is a summary of the outstanding liability by project associated with the CP Notes outstanding.

Project	CP Notes Liability as of 10/1/2020
Animal Care and Control	$11,360,000
Housing Trust Fund	$18,726,655
Hall of Justice Relocation	$78,733,345
SFGH FF&E	$11,805,000
TOTAL	**$120,625,000**

Overlapping Debt

Table A-33 shows bonded debt and long-term obligations as of October 1, 2020 sold in the public capital markets, except for those financings otherwise noted in the table, by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

TABLE A-33

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

2020-21 Assessed Valuation (includes unitary utility valuation):	$302,011,940,399 [1]
GENERAL OBLIGATION BONDED DEBT	
San Francisco City and County	$2,288,241,740
San Francisco Unified School District	1,055,950,000
San Francisco Community College District	197,955,000
TOTAL GENERAL OBLIGATION BONDS	$3,542,146,740
LEASE OBLIGATIONS BONDS	
San Francisco City and County	$1,483,005,573
LONG-TERM OBLIGATIONS	$1,483,005,573 [2]
TOTAL COMBINED DIRECT DEBT	$5,025,152,313
OVERLAPPING TAX AND ASSESSMENT DEBT	
Bay Area Rapid Transit District General Obligation Bond (34.606%)[2]	$652,971,389 [3]
San Francisco Community Facilities District No. 4	10,600,000
San Francisco Community Facilities District No. 6	119,807,107
San Francisco Community Facilities District No. 7	32,915,000
San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2	2,587,770
San Francisco Community Facilities District No. 2014-1 Transbay Transit Center	472,840,000
City of San Francisco Assessment District No. 95-1	360,000
ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements	9,195,000
ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill	4,970,000
ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza	2,840,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	$1,309,086,266
OVERLAPPING TAX INCREMENT DEBT:	
Successor Agency to the San Francisco Redevelopment Agency	$738,895,372
Transbay Joint Powers Authority	264,585,000
TOTAL OVERLAPPING INCREMENT DEBT	$1,003,480,372
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	$7,337,718,951 [4]
Ratios to 2020-21 Assessed Valuation ($302,011,940,399)	**Actual Ratio**
Direct General Obligation Bonded Debt ($3,542,146,740)	1.17% [5]
Combined Direct Debt ($5,025,152,313)	1.66%
Total Direct and Overlapping Bonded Debt	2.43%
Ratio to 2020-21 Redevelopment Incremental Valuation ($37,591,667,028)	
Total Overlapping Tax Increment Debt	2.67%

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

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

[3] Reflects 2020-21 ratio.

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

[5] The Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City. The City's general obligation debt as a percentage of FY20-21 AV is 0.71%.

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

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

Article XIIIA of the California Constitution

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

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

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

Article XIIIB of the California Constitution

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

Articles XIIIC and XIIID of the California Constitution

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

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

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

Article XIIID contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIIID) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement

purposes and community benefit purposes and has caused limited obligation bonds to be issued in 1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

Proposition 1A

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

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

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

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with

cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies (but see "San Francisco Redevelopment Agency Dissolution" above). While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

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

Proposition 26

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

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

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

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

Future Initiatives and Changes in Law

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

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

LEGAL MATTERS AND RISK MANAGEMENT

Pending Litigation

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

Ongoing Investigations

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

to help him build a personal vacation home while those contractors were also engaging in business with the City. Mr. Nuru resigned from employment with the City two weeks after his arrest. On February 4, 2020, the City Attorney and Controller announced a joint investigation that was underway, stemming from federal criminal charges filed against Mr. Nuru and Mr. Bovis.

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

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

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

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

In addition to the joint investigation by the City Attorney's Office and the Controller's Office, the City's Board of Supervisors has initiated a series of public hearings before its Government Audit and Oversight Committee to examine issues raised by the federal complaints. That committee will also consider the Controller's periodic reports. The full Board of Supervisors is considering retaining additional independent

services relating to the matters that were the subject of the federal indictment. The City can give no assurance regarding when the City's investigation will be completed or what the outcome will be.

Risk Retention Program

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

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

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

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

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

APPENDIX B

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

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CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
Year ended June 30, 2019

Prepared by:
Office of the Controller

Ben Rosenfield
Controller

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CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report
Year Ended June 30, 2019

TABLE OF CONTENTS

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

CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report
Year Ended June 30, 2019

TABLE OF CONTENTS

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

CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report
Year Ended June 30, 2019

TABLE OF CONTENTS

	Page
Fiduciary Funds	231
Combining Statement of Fiduciary Net Position – Fiduciary Funds - Pension and Other Employee Benefit Trust Funds	232
Combining Statement of Changes in Fiduciary Net Position - Fiduciary Funds – Pension and Other Employee Benefit Trust Funds	233
Combining Statement of Changes in Assets and Liabilities - Agency Funds	234

STATISTICAL SECTION

Net Position by Component – Last Ten Fiscal Years	238
Changes in Net Position – Last Ten Fiscal Years	239
Fund Balances of Governmental Funds – Last Ten Fiscal Years	241
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	242
Assessed Value of Taxable Property – Last Ten Fiscal Years	244
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	245
Principal Property Assessees – Current Fiscal Year and Nine Fiscal Years Ago	246
Property Tax Levies and Collections – Last Ten Fiscal Years	247
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	248
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	249
Legal Debt Margin Information – Last Ten Fiscal Years	250
Direct and Overlapping Debt	251
Pledged-Revenue Coverage – Last Ten Fiscal Years	252
Demographic and Economic Statistics – Last Ten Fiscal Years	254
Principal Employers – Current Year and Nine Years Ago	255
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years	256
Operating Indicators by Function – Last Ten Fiscal Years	257
Capital Asset Statistics by Function – Last Ten Fiscal Years	258

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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

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December 30, 2019

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

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

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

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

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

SAN FRANCISCO GOVERNMENT:

Profile of San Francisco Government

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

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

Overview of Recent Economic Trends

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

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

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

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

Key Government Initiatives

San Francisco's economy depends on public investments in services and infrastructure that benefit City residents, workers, visitors, and businesses. As a combined city and county, these investments are required across a broad array of public services, including health and human services, public protection, transportation, economic development and planning, parks and libraries, and in the vast public infrastructure that support these services and the broader local economy. Several critical initiatives critical to the long-term economic and financial health of the City are described below.

Housing Production & Affordability

As outlined above, the strength of the local economy since the last recession has driven improvement across a broad array of economic measures, including significant reductions in unemployment and increases to household income among City residents. This economic strength has driven significant growth in property, business, and other local taxes that have, in part, led to the strengthening of the City's financial position while providing the resources to invest in these and other initiatives.

This economic growth, combined with a longstanding imbalance between the supply of and demand for housing, has led to very high housing prices in the City and the region. During fiscal year 2018-19, the median home value in San Francisco rose to $1.4 million, an annual increase of 4.4%. The median market rent for apartments was $4,523 per month in fiscal year 2018-19.

Meeting this demand with both market-rate and affordable housing has been a key City policy focus. A large amount of private construction was completed or underway during fiscal year 2018-19, with over 4,000

housing units completed, and nearly 10,000 additional units under construction at the end of the fiscal year. Much of this development is shaped by major area planning efforts that the City completed in prior years, including in the Eastern Neighborhoods, Market & Octavia, Mission Bay, the Transit Center District. A significant new plan for the Central South of Market (SOMA) area was completed in fiscal year 2018-19. The City has also approved large-scale development project plans for Treasure Island, the Hunters Point Shipyard, and Park Merced.

This increase in construction has been matched with greater investments in subsidized affordable housing in the City for lower income families and individuals. A gradually increasing share of new private housing development will have to be constructed for low- and moderate-income households, as required by City development requirements adopted in 2017. The City, through the Mayor's Office on Housing and Community Development, disbursed $172.5 million in loans and grants to purchase, produce or preserve affordable housing in fiscal year 2018-19, and is implementing a $310 million general obligation bond approved by the voters in November 2015 and a $261 million general obligation bond approved by the voters in November 2016 to develop, acquire, and rehabilitate affordable housing in the City. Over the last six years, the City has produced or preserved approximately 8,200 units of affordable housing. An additional 2,800 units of affordable housing are expected to be created, preserved, or renovated by an additional $600 million affordable housing bond approved by the voters in November 2019.

These various programs serve a variety of services for more vulnerable residents, including seniors, former homeless individuals and families, and veterans, and middle-income teachers, other public educators, and first-time homebuyers. The affordable housing pipeline includes projects for new housing construction, supportive housing construction and acquisition, rehabilitation of public housing units, and down payment assistance.

Streets and Transit Improvements

San Francisco is the cultural and economic center of the nine-county Bay Area, but population and job growth in the City and throughout the region present ongoing economic and social challenges. The City is making sizable investments to mitigate some of these pressures by upgrading its aging transit and road infrastructure to improve public transit service and enhance mobility for residents, businesses, and visitors.

In recent years, the City has increased its investments to modernize its aging transportation infrastructure. A $500 million general obligation bond, approved by voters in November 2014, is funding an array of projects that will improve transit reliability, enhance bicycle and pedestrian safety, and address deferred maintenance needs. Approximately $100 million of these funds are allocated for major infrastructure improvements along Market Street, the City's most prominent downtown corridor and the spine of the City's transportation network.

The City is in the final stages of constructing the Central Subway. When completed, the $1.6 billion rail project will extend subway service in the City for this first time in decades, better connecting Chinatown, the Financial District and the City's convention center with the existing above ground light rail line along Third Street. Other significant transit improvement projects in planning or construction phases include the installation of a new rapid bus line along Van Ness Avenue and enhancements to other rail and bus rapid transit routes serving other areas of the City.

Road conditions in the City have significantly improved given new investments in street repaving other roadway improvements, which have been primarily from a voter-approved bonds, larger General Fund cash investments, and new revenues provided under the California Road Repair and Accountability Act of 2017. These investments not only benefit transit riders and motorists, but are also intended to make City streets safer for pedestrians, bicyclists, children and people with disabilities. These safety improvements have been concentrated on the 12 percent of City streets where over 70 percent of severe traffic injuries and fatalities occur. Pavement condition scores in the City reached their highest level in over two decades during 2018.

The City's transit vehicle fleet – among the oldest in the country when replacement plans commenced in 2017 – is now the newest and greenest. These vehicles carry 26 percent of all daily trips in the City yet generates less than one percent of the City's transportation sector greenhouse gas emissions.

Investments in the City's Aging Infrastructure

Fueled by the financial benefits of this economic cycle and guided by the City's adopted ten-year capital plan, San Francisco has completed and is underway with a host of other investments in long-deferred public infrastructure, beyond those highlighted above. San Francisco's general obligation bonds program enables the financing of major infrastructure investments and enhancements with long useful lives and high upfront costs that the City would not be able to deliver with other means. Under the City's current policy, voter approval of new bonds is only sought as old bonds are retired and the property tax base grows, resulting in tax rates for City-issued bonds that are at or below the rates for fiscal year 2005-06.

Nearly $4 billion in general obligation bonds have been approved by voters since 2008, more than the previous fifty years combined. The City has completed or is underway with an array of projects supported by these bonds, including improvements to City fire and police stations, health care clinics, hospitals, parks and neighborhood centers, the strengthening of the City's seawall, and other long-deferred infrastructure modernization projects.

Reliability of City-provided water, sewer, and power services – particularly after an earthquake or disaster – remains a key priority for the City, and generational programs for each of these utility systems are underway. The City is nearly complete with a $4.8 billion capital program to upgrade local and regional water systems that serve 2.7 million customers in San Francisco and other Bay Area counties. A $7.0 billion capital program to upgrade the local sewer system is underway, including improvements to a broad network of local collection systems, treatment facilities, and stormwater management efforts. Improvements continue to the City's power infrastructure, focused on targeted rehabilitations of dams, powerhouses, electrical lines, and related electrical infrastructure used to provide power for municipal buildings and transit service. The City's community choice aggregation program, CleanPowerSF, now provides power to over 378,000 residential households and commercial customers in the City.

Expanding Access to Healthcare

Public health and human services are important to the long-term health and well-being of City residents. The City offers a host of health and safety net services, including operation of two public hospitals, the administration of federal, state, and local entitlement programs, and a vast array of community-based health and human services. The San Francisco Health Network, operated by the Department of Public Health, is an integrated health care delivery system that improves the department's ability to provide and manage care for insured patients that select our network, organize the elements of the delivery system, improve system efficiency, and improve the patient experience.

Cumulatively, over 164,000 San Franciscans have enrolled in new health insurance options since the launch of the Affordable Care Act (ACA) in 2014, through either the program's Medi-Cal expansion or through the Covered California exchange. Approximately 3.5% of San Franciscans now lack medical insurance, compared to uninsured rates of 7.2% in California and 8.9% nationwide. The City, through its health and social services safety net, remains the chief provider of safety net services for these individuals.

Financial Highlights

The strength of the City's economy during the past decade, combined with financial management reforms highlighted above, have driven improvement in the City's overall financial condition. The City's General Fund financial condition has continued to post significant improvements during this most recent fiscal year, continuing trends from recent years. Total GAAP-basis General Fund balance, which includes funds reserved for continuing appropriations and reserves, ended fiscal year 2018-19 at $2.72 billion, up $0.50 billion from the prior year. The General Fund's cash position also reflects a strong improvement in fiscal year 2018-19, rising to a new year-end peak of $3.28 billion, up $0.56 billion from the prior year. The General Fund rainy day and budget stabilization reserves grew to $721.7 million at the end of fiscal year

2018-19, and for the first time have reached targeted levels of 10 percent of revenues. Moody's and Standard & Poor's rating agencies have upgraded the City's general obligation ratings to their respective highest rating tier during the past two years, for the first time in nearly 40 years.

But notwithstanding this City's strong economic and financial performance, several long-term financial challenges and risks remain unresolved. The most recent actuarial analyses estimate the City's net liabilities of $8.07 billion for retiree pension and health care benefits, comprised of $4.46 billion for employee pension benefits and $3.61 billion for retiree health benefits. These liabilities have decreased by 12.6% and 3.1%, respectively, compared to the last year. And while economic stabilization reserves have grown significantly during the last five fiscal years, the City estimates that balances in these reserves will cover only half of tax revenues losses and cost increases of approximately $1.1 billion that will occur in an average recession. Further policy choices will be required to manage these future challenges.

OTHER INFORMATION:

San Francisco's Budgetary Process

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

The City has historically adopted annual budgets for all governmental funds and typically adopts project-length budgets for capital projects and certain debt service funds. The voters adopted amendments to the Charter in November 2009 designed to further strengthen the City's long-range financial planning. As a result of these changes, the City is required to adopt a "rolling" two-year budget each year unless the Board of Supervisors authorizes a "fixed" two-year budget appropriation for a given fund, in which case authorization occurs every two years. For the fiscal year period of 2019-20 and 2020- 21, there were five departments on a two-year fixed budget, while the majority of the City's budget remains on a rolling cycle.

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

Internal and Budgetary Controls

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

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

Independent Audit

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

Award for Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018. This was the 37th consecutive year, beginning with the year ended June 30, 1982, that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

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

Respectfully submitted,

Ben Rosenfield
Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City and County of San Francisco

California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

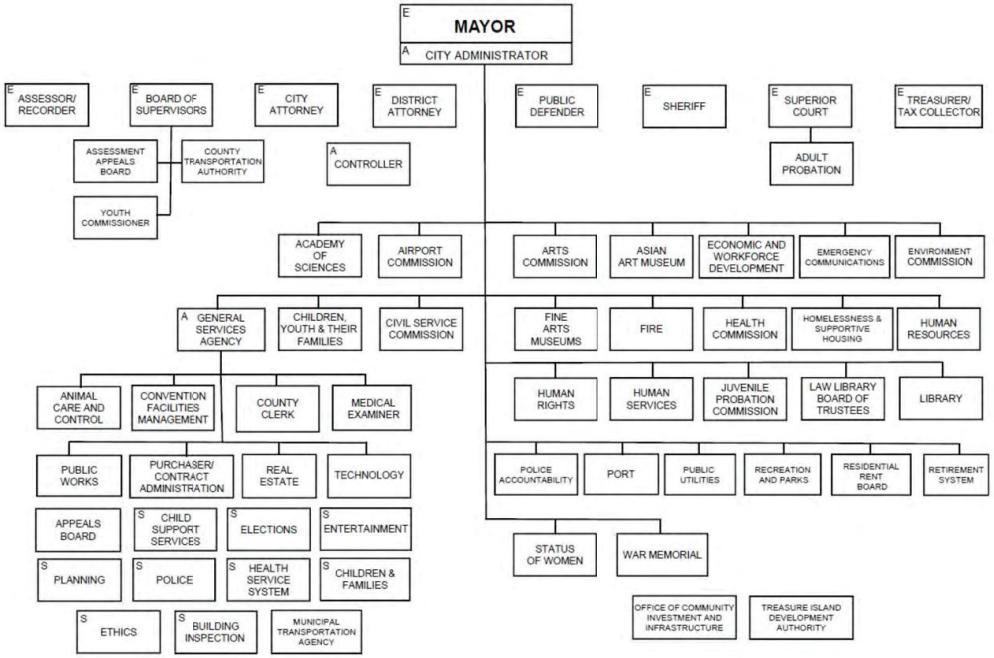
June 30, 2018

Christopher P. Morrill

Executive Director/CEO

City and County of San Francisco Organization Chart

(As of June 30, 2019)



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

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2019

ELECTED OFFICIALS

Mayor	London Breed
Board of Supervisors:	
President	Norman Yee
Supervisor	Vallie Brown
Supervisor	Gordon Mar
Supervisor	Rafael Mandelman
Supervisor	Aaron Peskin
Supervisor	Sandra Lee Fewer
Supervisor	Catherine Stefani
Supervisor	Hillary Ronen
Supervisor	Ahsha Safai
Supervisor	Shamann Walton
Supervisor	Matt Haney
Assessor/Recorder	Carmen Chu
City Attorney	Dennis J. Herrera
District Attorney	George Gascón
Public Defender	Mano Raju
Sheriff	Vicki Hennessy
Superior Courts	
Presiding Judge	Judge Garrett L. Wong
Treasurer/Tax Collector	José Cisneros

APPOINTED OFFICIALS

City Administrator	Naomi Kelly
Controller	Benjamin Rosenfield

DEPARTMENT DIRECTORS/ADMINISTRATORS

Airport	Ivar C. Satero
Appeals Board	Julie Rosenberg
Arts Commission	Tom DeCaigny
Asian Art Museum	Jay Xu
Board of Supervisors	Angela Calvillo
Assessment Appeals Board	Dawn Duran
County Transportation Authority	Tilly Chang
Building Inspection	Tom Hui
California Academy of Sciences	Scott D. Sampson
Child Support Services	Karen M. Roye
Children, Youth and Their Families	Maria Su
Civil Service	Michael L. Brown
Economic and Workforce Development	Joaquín Torres
Elections	John Arntz
Emergency Management	Mary Ellen Carroll
Entertainment	Maggie Weiland
Environment	Deborah Raphael
Ethics	LeeAnn Pelham
Fine Arts Museums	Thomas P. Campbell
Fire	Jeanine Nicholson

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2019

DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

General Services Agency	
Animal Care and Control	Virginia Donohue
Convention Facilities Management	John Noguchi
County Clerk	Diane Rea
Medical Examiner	Michael Hunter
Public Works	Mohammed Nuru
Purchaser/Contract Administration	Alaric Degrafinried
Real Estate	Andrico Penick
Department of Technology	Linda Gerull
Health Service System	Abbie Yant
Homelessness and Supportive Housing	Jeff Kositsky
Human Resources	Micki Callahan
Human Rights	Sheryl Evans Davis
Human Services	Trent Rhorer
Aging and Adult Services	Shireen McSpadden
Juvenile Probation	Allen A. Nance
Law Library Board of Trustees	Marcia Bell
Library	Michael Lambert
Municipal Transportation Agency	Ed Reiskin
Planning	John Rahaim
Police	William Scott
Police Accountability	Paul Henderson
Port	Elaine Forbes
Public Health	Grant Colfax
Public Utilities	Harlan Kelly
Recreation and Park	Phil Ginsburg
Residential Rent Board	Robert Collins
Retirement System	Jay Huish
Small Business	Regina Dick-Endrizzi
Status of Women	Emily M. Murase
Successor Agency to the Redevelopment Agency	Nadia Sesay
Superior Court	T. Michael Yuen
Adult Probation	Karen L. Fletcher
War Memorial	John Caldon

DISCRETELY PRESENTED COMPONENT UNIT

Treasure Island Development Authority	Robert P. Beck

FINANCIAL SECTION

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

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mGO Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco, California (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/ Additions
Governmental activities	1.3%	5.3%	1.8%
Business-type activities	92.9%	99.0%	75.3%
Aggregate discretely presented component unit and remaining fund information	1.0%	0.7%	9.1%

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

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

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

Opinions
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Prior-Year Comparative Information
The financial statements include partial and summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2018, from which such partial and summarized information was derived.

We have previously audited the City's 2018 financial statements, before the restatement described in Note 2(t) to the financial statements, and we expressed, based on our audit and the reports of other auditors, unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information in our report dated March 25, 2019. As discussed in Note 2(t) to the financial statements, the 2018 financial statements have been restated based on the report of other auditors to correct a misstatement. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

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

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

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

Macias Gini & O'Connell LLP

San Francisco, California
December 30, 2019

This section of the City and County of San Francisco's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2017-18 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2018-19 basic financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by approximately $9.60 billion (net position). Of this balance, $10.04 billion represents the City's net investment in capital assets, $3.03 billion represents restricted net position, and unrestricted net position has a deficit of $3.47 billion. The City's total net position increased by $1.92 billion, or 25.0 percent, from the previous fiscal year. Of this amount, total net investment in capital assets and restricted net position increased by $891.2 million or 9.7 percent and $534.6 million or 21.4 percent, respectively, and unrestricted net position increased by $497.4 million or 12.5 percent.

The City's governmental funds reported total revenues of $7.56 billion, which is a $1.15 billion or 17.9 percent increase over the prior year. Within this, revenues from property taxes, business taxes, sales and use tax, hotel room tax, real property transfer tax, interest and investment income, rent and concessions, intergovernmental sources, charges for services, other revenues grew by approximately $593.9 million, $20.4 million, $33.1 million, $26.2 million, $83.6 million, $131.9 million, $50.1 million, $107.5 million, $22.0 million and $60.0 million, respectively. Governmental funds expenditures totaled $6.27 billion for this period, a $421.1 million or 7.2 percent increase, reflecting increases in demand for governmental services of $465.7 million, offset by decreases in debt service of $30.8 million and in capital outlay of $13.8 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to $5.14 billion, an increase of $563.3 million or 12.3 percent from prior year, primarily to a strong growth in most revenues over a moderate increase of expenditures and other financing uses this year over last year.

The City's total short-term debt increased by $123.0 million in this fiscal year. The decrease of $29.1 million in the governmental activities was due to the paydown of $4.1 million and $25.0 million of Commercial Paper (CP) which financed the Animal Care and Control facility project and the construction of Transbay Transit Center, respectively. The short-term debt in the business-type activities increased by $152.1 million. The Water Enterprise, Hetch Hetchy Water and Power, and the Wastewater Enterprise, increased the short-term debt by a total of $180.1 million to upgrade their facilities. The San Francisco General Hospital paid off $2.2 million of CP and Airport refinanced $25.8 million of CP through the issuance of long-term debt.

The City's governmental activities long-term bonds, loans, and capital leases decreased by $314.8 million. General obligation bonds of $24.0 million, issued for seismic safety loan program was paid off by the developer/borrower. The San Francisco Finance Corporation's refunding of the three series of lease revenue bonds for open space and branch library improvements reduced the City's long-term debt by $18.4 million, and the City paid off the SFCTA's revolving loan of $24.7 million. The scheduled principal payments and amortization of issuance premium totaling $320.1 million was partially offset by the issuance of $72.4 million general obligation bonds to fund loans to finance the cost of acquisition, improvements and rehabilitation of at-risk multi-unit residential housing and convert such structures to affordable housing.

The business-type activities long-term debt increased by $1.80 billion. The Airport issued a total of $1.98 billion revenue bonds, comprised of $1.57 billion revenue bonds to finance and refinance its various development projects and $410.9 million revenue refunding bonds for economic gain. The Wastewater Enterprise issued $594.1 million revenue bonds to finance and refinance the City's wastewater system improvement projects and obtained loans of $66.9 million from the State of California for sewer system improvement projects. The Municipal Transportation Agency obtained a bank loan of $3.3 million for a garage renovation project. The Port of San Francisco has assumed the $6.1 million loan from the State of

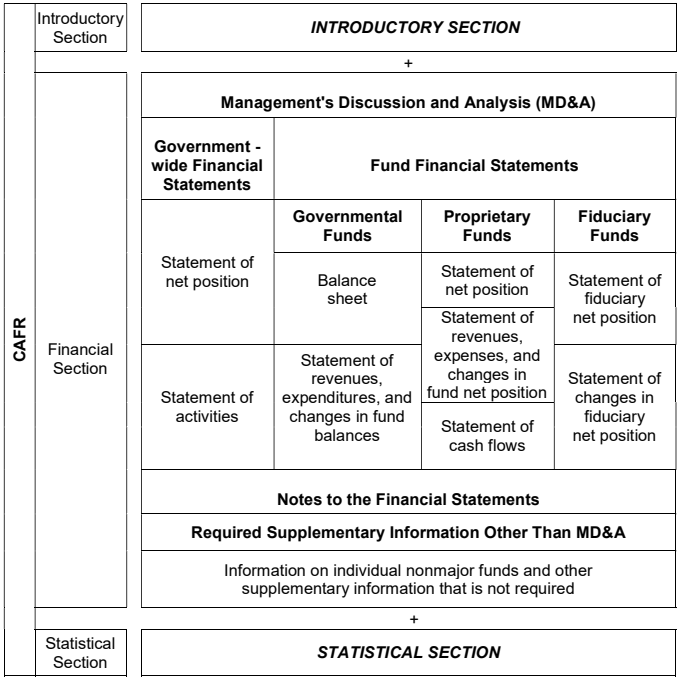
California Department of Boating and Waterways related to its assumed operation of the South Beach Harbor. The increase in debt was partially offset by the $921.9 million of debt service payments and bond premium amortization.

In accordance with California Redevelopment Dissolution Law, the Successor Agency transferred South Beach Harbor to the City's Port at no cost in April 2019. The transfer consisted of Harbor capital assets of $20.0 million, a debt payable to the California Division of Boating and Waterways of $6.1 million, cash of $5.1 million, and miscellaneous assets and liabilities with a net liability of $0.7 million. The City's Port Enterprise Fund recorded a special item of $18.3 million for the transfer.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains other **supplementary information** in addition to the basic financial statements themselves. These various elements of the Comprehensive Annual Financial Report are related as shown in the graphic below.

Organization of City and County of San Francisco Comprehensive Annual Financial Report



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

	Government - wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurement focus
Type of balance information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Balances of spendable resources	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	All resources held in a trustee or agency capacity for others
Type of inflow and outflow information	All inflows and outflows during year, regardless of when cash is received or paid	Near-term inflows and outflows of spendable resources	All inflows and outflows during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

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

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

The **statement of activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

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

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

Fund Financial Statements

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

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

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

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

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), San Francisco Water Enterprise (Water), Hetch Hetchy Water and Power (Hetch Hetchy), San Francisco Municipal Transportation Agency (SFMTA), San Francisco General Hospital (SFGH), San Francisco Wastewater Enterprise (Wastewater), Port of San Francisco (Port), and the Laguna Honda Hospital (LHH), all of which are considered to be major funds of the City.

- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, management information and telecommunication services, printing and mail services, and for lease-purchases of equipment by the San Francisco Finance Corporation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's net pension liability, pension contributions, net OPEB liability, and OPEB contributions.

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

Combining Statements and Schedules

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

Condensed Statement of Net Position
(in thousands)

	Governmental activities		Business-type activities*		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	$7,301,821	$6,664,033	$ 6,575,434	$ 6,174,594	$ 13,877,255	$ 12,838,627
Capital assets	6,155,064	5,803,025	20,689,646	18,470,576	26,844,710	24,273,601
Total assets	13,456,885	12,467,058	27,265,080	24,645,170	40,721,965	37,112,228
Deferred outflows of resources:	996,754	1,015,311	947,283	973,033	1,944,037	1,988,344
Liabilities:						
Current liabilities	2,179,762	2,041,116	2,148,534	2,201,736	4,328,296	4,242,852
Noncurrent liabilities	8,742,967	9,326,001	18,872,584	17,470,491	27,615,551	26,796,492
Total liabilities	10,922,729	11,367,117	21,021,118	19,672,227	31,943,847	31,039,344
Deferred inflows of resources:	629,419	223,275	490,524	158,974	1,119,943	382,249
Net position:						
Net investment in capital assets **	3,681,341	3,311,218	6,764,333	6,176,022	10,048,870	9,157,665
Restricted **	2,024,387	1,531,481	1,053,773	1,103,693	3,027,217	2,492,619
Unrestricted (deficit) **	(2,804,237)	(2,950,722)	(1,117,385)	(1,492,713)	(3,473,875)	(3,971,305)
Total net position	$2,901,491	$1,891,977	$ 6,700,721	$ 5,787,002	$ 9,602,212	$ 7,678,979

* See Note 2(t) to the basic financial statements.

** See Note 10(d) to the basic financial statements.

Analysis of Net Position

The City's total net position, which may serve as a useful indicator of the government's financial position, was $9.60 billion at the end of fiscal year 2018-19, a 25.0 percent increase over the prior year. The City's governmental activities account for $2.90 billion of this total and $6.70 billion stem from its business-type activities.

The largest portion of the City's net position is the $10.04 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a $891.2 million or 9.7 percent increase over the prior year and is due to the growth seen in the governmental activities and an overall increase in business-type activities, highlighted by a $601.8 million increase at SFMTA offset by decreases of $81.3 million and $39.0 million at Airport and Wastewater Enterprise, respectively. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position is the $3.03 billion that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is a deficit of $3.47 billion, which consists of a $2.80 billion deficit in governmental activities and $1.12 billion deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to recording liabilities related to net pension and net other postemployment benefits (see Note 9). The governmental activities deficit also included $447.7 million in long-term bonds liabilities that fund the LHH rebuild project, certain park facilities projects at the Port, improvement projects for reliable emergency water

supply for the Water Enterprise, and road paving and street safety in SFMTA (see Note 10(d)). The business-type activities deficit also includes structural operating losses from SFGH and LHH subsidized by the General Fund.

Condensed Statement of Activities
(in thousands)

	Governmental activities		Business-type activities*		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	$ 815,176	$ 685,437	$ 3,840,617	$ 3,686,189	$ 4,655,793	$ 4,371,626
Operating grants and contributions	1,392,516	1,279,900	251,757	217,506	1,644,273	1,497,406
Capital grants and contributions	233,184	63,181	467,069	456,166	700,253	519,347
General revenues:						
Property taxes	2,581,308	2,363,863	-	-	2,581,308	2,363,863
Business taxes	919,552	899,142	-	-	919,552	899,142
Sales and use tax	329,296	293,916	-	-	329,296	293,916
Hotel room tax	408,348	382,176	-	-	408,348	382,176
Utility users tax	93,918	94,460	-	-	93,918	94,460
Other local taxes	515,435	424,187	-	-	515,435	424,187
Interest and investment income	178,350	46,020	182,666	39,010	361,016	85,030
Other	88,788	71,834	237,045	246,827	325,833	318,661
Total revenues	7,555,871	6,604,116	4,979,154	4,645,698	12,535,025	11,249,814
Expenses						
Public protection	1,496,341	1,496,749	-	-	1,496,341	1,496,749
Public works, transportation and commerce	331,717	321,577	-	-	331,717	321,577
Human welfare and neighborhood development	1,720,425	1,552,060	-	-	1,720,425	1,552,060
Community health	960,422	914,512	-	-	960,422	914,512
Culture and recreation	594,219	425,668	-	-	594,219	425,668
General administration and finance	330,358	430,711	-	-	330,358	430,711
General City responsibilities	156,907	118,956	-	-	156,907	118,956
Unallocated Interest on long-term debt	153,220	138,048	-	-	153,220	138,048
Airport	-	-	1,067,265	1,092,154	1,067,265	1,092,154
Transportation	-	-	1,304,358	1,304,254	1,304,358	1,304,254
Port	-	-	123,116	102,667	123,116	102,667
Water	-	-	536,480	536,068	536,480	536,068
Power	-	-	314,471	202,366	314,471	202,366
Hospitals	-	-	1,236,823	1,294,045	1,236,823	1,294,045
Sewer	-	-	304,010	264,298	304,010	264,298
Total expenses	5,743,609	5,398,281	4,886,523	4,795,852	10,630,132	10,194,133
Increase/(decrease) in net position before transfers and special items	1,812,262	1,205,835	92,631	(150,154)	1,904,893	1,055,681
Transfers	(802,748)	(753,283)	802,748	753,283	-	-
Special items:						
Receipt of Yerba Buena Garden property	-	116,690	-	-	-	116,690
Receipt of South Beach Harbor operations	-	-	18,340	-	18,340	-
Change in net position	1,009,514	569,242	913,719	603,129	1,923,233	1,172,371
Net position at beginning of year, as restated	1,891,977	1,322,735	5,787,002	5,183,873	7,678,979	6,506,608
Net position at end of year	$ 2,901,491	$ 1,891,977	$ 6,700,721	$ 5,787,002	$ 9,602,212	$ 7,678,979

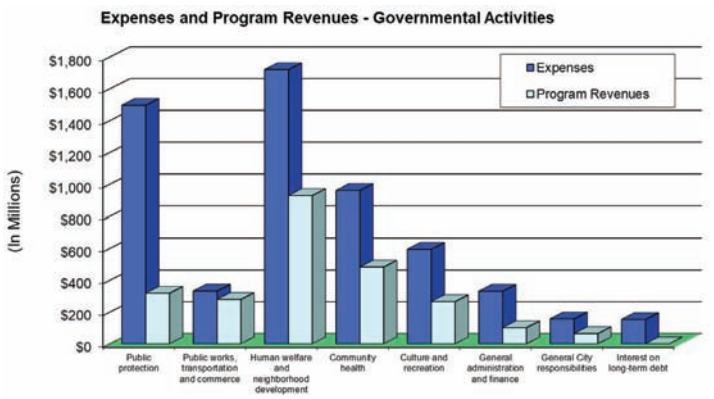
* See Note 2(t) to the basic financial statements.

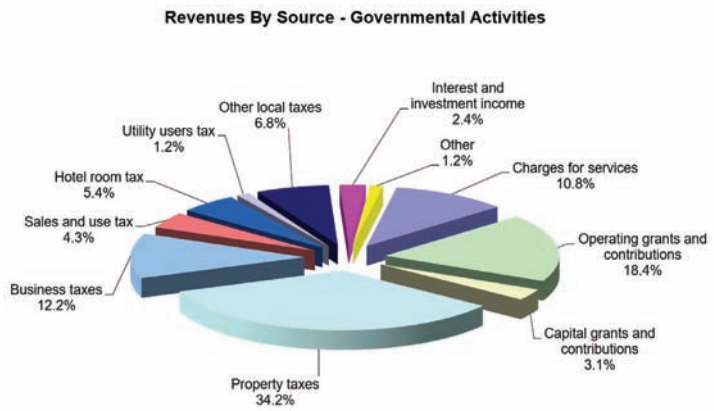
Analysis of Changes in Net Position

The City's change in net position increased by $750.9 million in fiscal year 2018-19, a 64.0 percent increase from the prior fiscal year, as noted above. The increase in the change in net position was due to a $440.3 million increase from governmental activities and a $310.6 million increase from business-type activities.

The City's governmental activities experienced a $951.8 billion or 14.4 percent growth in total revenues, as well as an increase in total expenses of $345.3 million or 6.4 percent this fiscal year. Business-type activities revenues increased by $333.5 million or 7.2 percent, as well as an increase in total expenses of $90.7 million, or 1.9 percent. The net transfer to business-type activities increased by $49.5 million. The major

components of increased revenue Citywide are increased interest and investment income of $276.0 million and property taxes of $217.4 million. Discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.





Governmental Activities. Governmental activities increased the City's total net position by approximately $1.01 billion. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were $7.56 billion, a $951.8 million or 14.4 percent increase over the prior year. For the same period, expense totaled $5.74 billion before transfers of $802.7 million.

Property tax revenues increased by $217.4 million or 9.2 percent. This growth was due in large part to the increased recognition of $130.8 million Excess Educational Revenue Augmentation Fund (ERAF) in the current fiscal year. Increases in the secured and unsecured property tax revenues, offset by decreases in supplemental and escape property tax revenues, were responsible for majority of the remaining change. An increase of $20.4 million or 2.3 percent in business tax was driven by relatively modest growth in business tax payments over the prior year.

Revenues from sales and use tax and hotel room taxes totaled approximately $737.6 million, a growth of $61.6 million over the prior year. Sales and use tax increased by $35.4 million or 12.0 percent primarily due to the implementation of a new system by the California Department of Tax and Fee Administration which caused delays in processing certain filer's sales tax remittances in FY 2017-18. These missing payments were disbursed throughout FY 2018-19 to the City. As a result, an above-average growth has been observed. Hotel room tax increased by approximately $26.2 million or 6.8 percent, due to an increase in revenue per available room (RevPAR) which is a function of changes in occupancy, average daily room rate and room supply. In fiscal year 2018-19, monthly RevPAR not weighted for seasonality increased 6.8 percent despite the annual average Occupancy Rate decreased by 1.2 percent primarily due to the increase in room supply.

Other local taxes increased by $91.2 million or 21.5 percent, mainly related to an increase in real property transfer tax. This revenue is one of the most volatile of all sources and is highly sensitive to economic cycles and interest rates. Transfer taxes are assessed at different levels according to the amount of the transaction. Most of the volatility in this tax is driven by transactions for those valued at $10 million or more. There were more transactions in this group which totaled $256.3 million or 70.4 percent of total revenue during fiscal year 2018-19.

Total grants and contributions increased $282.6 million or 21.0 percent. The increase was primarily due to a capital contribution of $119.9 million of the completed improvement and expansion work on the Moscone Convention Center North and South buildings by the Moscone Expansion District. The expansion project together with City's funding added 305,000 square feet functional area and 42 streetscape improvements to the surrounding neighborhood. There was also a $29.0 million capital contribution from a community facilities district and land donation of $28.8 million. In addition, there was a total of $112.6 million increases in operating grants and contributions for human welfare and neighborhood development and community health programs from State and Federal, mainly for welfare, health and integrated care, housing and supportive services.

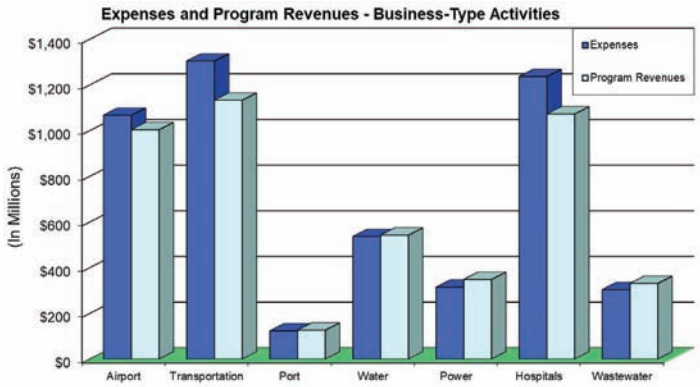
Total charges for services increased $129.7 million or 18.9 percent largely from rents and concessions by $50.1 million, loan programs repayments by $20.1 million on loans previously considered uncollectible, fines and forfeitures by $16.2 million, and the remaining from various City services and charges.

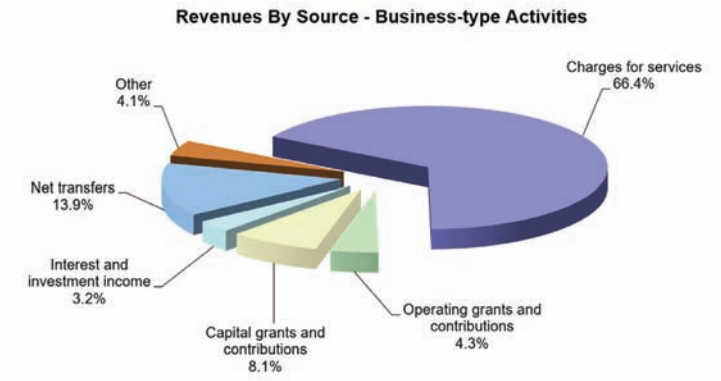
Interest and investment income revenue increased by $132.3 million or 2.9 times, primarily due to increased interest rates as well as balances in the City's investment pool mainly from increased collections in property tax revenues, business tax and other revenues.

Net transfers from the governmental activities to business-type activities were $802.7 million, a $49.5 million or 6.6 percent increase from the prior year. General Fund baseline transfer to SFMTA increased $75.2 million primarily due to increase in property taxes, including ERAF revenue. General Fund transfer to Laguna Honda Hospital also increased by $54.6 million to repay the State for SB 1128 reimbursements from prior years that were subsequently disallowed and by $22.9 million to fund general operations. This was partly offset by decrease in transfer to SFMTA by $77.6 million from other governmental funds for

reduced capital projects expenditures and a decrease of $23.0 million transfer from the Wastewater Enterprise for the Central Shop Relocation project.

The increase of total governmental expenses of $345.3 million, or 6.4 percent, was primarily due to a general increase in salaries and fringe benefits for $179.3 million, growth in City grant and aid payments and non-professional services by $128.2 million related to community health and human welfare programs. Nonpersonnel expenses including professional and consulting services, judgment and claims and withdrawal of Rainy Day Reserve by San Francisco Unified School District totaled to a $97.9 million increase. In addition, culture and recreation activity has a net $168.6 million increase largely due to spending on various capital and improvement projects. These increases were partly offset by a decrease of $166.2 million in pension and OPEB expenses, net of deferred contributions, primarily due to assumption changes, actuarial experience gains and increased contributions.





Business-type activities increased the City's net position by $913.7 million and key factors contributing to this increase are as follows:

- The San Francisco International Airport had an increase in net position at fiscal year-end of $91.8 million, compared to a $65.2 million increase in the prior year, a $26.6 million difference. Operating revenues totaled $980.4 million for fiscal year 2018-19, a decrease of $83.4 million or 7.8 percent over the prior year and included a decrease of $104.7 million in aviation primarily because fiscal year 2017-18 aviation revenues included an aviation revenue receivable that did not recur in fiscal year 2018-19, and there was an increase in PFC expenditures on debt service and non-aviation revenue in fiscal year 2018-19 that together reduced the aviation revenue requirement relative to fiscal year 2017-18, offset by increases of $3.3 million in rents and concessions, $13.8 million in parking and transportation, and $4.2 million in net sales and services, reflecting traffic growth at the Airport. For the same period, the Airport's operating expenses decreased by $6.2 million, or 0.8 percent, for a net operating income of $216.4 million for the period. Net nonoperating activities saw a deficit of $99.1 million versus $196.9 million deficit in the prior year, a $97.8 million decrease. The decrease of $6.2 million in operating expenses is due to decreases in personal services of $22.8 million due to a prior year significant pension expense increase related to supplemental cost of living adjustments in fiscal year 2016-17, and additional positions that did not recur in fiscal year 2018-19 and materials and supplies of $2.7 million, offset by increases in contractual services of $5.4 million, light, heat and power of $1.1 million, depreciation and amortization of $3.6 million, general and administrative of $0.3 million, services provided by other departments of $6.2 million, and other operating expenses of $2.7 million. The decrease of $97.8 million in nonoperating expenses is due to decreases in other nonoperating revenues of $1.5 million, and other nonoperating expenses of $36.2 million, offset by increases in interest and investment income of $80.6 million primarily due to the net effect of $51.0 million of investment fair value adjustments and an actual investment income increase of $29.6 million, and interest expense of $17.5 million. Capital contributions increased by $8.6 million due to an increase in federal grants received for the Airport Improvement Program and TSA Checked Baggage Recapitalization Construction Project.

- The City's Water Enterprise, the third largest such entity in California, reported an increase in net position of $52.6 million at the end of fiscal year 2018-19, compared to an increase of $17.6 million at the end of the previous year, a $35.0 million difference. Operating revenues totaled $542.4 million, operating expenses totaled $357.1 million, nonoperating activities totaled a net expense of $113.5 million and the net decrease from transfers was $19.1 million. Compared to the prior year, operating revenues increased $16.8 million, which included $14.6 million in charges for services. The enterprise reported a total decrease in operating expenses of $13.1 million in fiscal year 2018-19 mostly due to a $16.7 million decrease in personal services mainly due to pension and OPEB obligations, nonoperating expenses increased by $14.0 million in interest expense mainly due prior year's bond issuance and reduced interest capitalization for capital projects.

- Hetch Hetchy Water and Power and CleanPowerSF ended fiscal year 2018-19 with a net position increase of $79.6 million, compared to a $33.4 million increase the prior year, a difference of $46.2 million. This change consisted of an increase in operating income of $40.8 million, an increase in net nonoperating revenues of $10.5 million, and a decrease in transfers from the City of $5.1 million. This enterprise consists of three segments: Hetchy Water upcountry operations and water system, which reported a $9.4 million increase in change in net position, Hetchy Power (also known as the Power Enterprise), which reported a $39.1 million increase in change in net position, and CleanPowerSF, which reported a $31.1 million increase in net position. Hetchy Water operating revenues increased by $0.4 million, mainly due to an increase of $0.5 million in water assessment fees from the Water Enterprise while operating expenses increased by $10.5 million mainly due to an increase of $11.2 million in general and administrative and other expenses. Hetchy Power's operating revenues increased by $24.7 million mostly due to wholesale electricity of $11.7 million from recognition of California Independent System operator (CAISO) Congestion Revenue Right (CRR) credits and increased sales of $7.4 million to other City departments and $5.4 million to non-City customers. On the operating expenses side, Hetchy Power reported an increase of $3.3 million mainly attributed to an increase of $13.0 million in purchased electricity and transmission, distribution and other power costs

primarily due to CAISO CRR credits were recognized as revenue instead of offsetting to expenses, $2.6 million in personal services mainly due to higher salaries and fringe benefits, and $1.0 million in legal services provided by the City Attorney, offset by a decrease of $12.9 million in other operating expenses mainly due to increased capitalization of project expenses. CleanPowerSF's operating revenues increased by $128.3 million mostly due to $127.1 million increase in charges for services related to consumption increase and $1.1 million from capacity sales to Hetchy Power and other entities. Operating expenses for CleanPowerSF increased by $98.9 million mainly due to $92.5 million increase in purchased electricity and transmission, distribution and other power costs, $2.6 million increase in professional services related to program development, and $2.5 million increase in personal services.

- The City's Wastewater Enterprise's net position increased by $55.0 million, compared to a $65.2 million increase in the prior year, a $10.2 million change. Operating revenues increased by $16.0 million due to a $14.7 million increase in charges for services as a result of an average 7 percent adopted rate increase, offset by a 2 percent decrease in sanitary flow. Operating expenses increased by $49.2 million mainly due to $52.4 million increases in general and administrative caused by lower capitalization of capital project spending coupled with higher capital project expenses related to Southeast Plant Improvement Project, $4.4 million in depreciation expense due to more capitalized assets put in service, $3.0 million in contractual services mainly due to higher maintenance services on building structures and higher professional and specialized services, $0.4 million in materials and supplies, and $0.3 million in services provided by other departments mainly for light, heat, and power. These increases were offset by a decrease of $11.3 million in personal services mainly due to decrease in expenses related to pension and OPEB. Transfers out decreased by $23.0 million mainly due to a decrease of $26.7 million in transfer to the City Real Estate Division for the Phase 1 construction work for the Central Shops Relocation Project, offset by an increase of $3.7 million in the same transfer. Wastewater Enterprise results include recorded corrections to previously issued 2017-18 financial statements to eliminate recognition of certain capital assets. Net position as of July 1, 2017 has been reduced by $6.8 million. Capital assets not being depreciated have been reduced and expenses have been increased by $28.3 million as of and for the year ended June 30, 2018.

- The Port ended fiscal year 2018-19 with a net position increase of $28.7 million, compared to a $16.2 million increase in the previous year, a $12.5 million difference. The Port is responsible for seven and one-half miles of waterfront property and its revenue is derived primarily from property rentals to commercial and industrial enterprises and a diverse mix of maritime operations. In fiscal year 2018-19, operating revenues increased by $12.3 million, due to $10.3 million from the sale and transfer of the Ferry Building master lease and $2.7 million increase in commercial and industrial rent, reflecting strength in local economy, offset by small fluctuations in remaining operating lines of revenue. Operating expenses increased $15.3 million over the prior year. This was due in part to increases of $6.8 million in depreciation and amortization and $9.3 million in pollution remediation related to a reduced obligation resulted a negative expense of $8.2 million pollution remediation in fiscal year 2017-18, along with a $1.1 million remediation expense caused by a change in the scope of Pier 70 development.

- The SFMTA had an increase in net position of $527.6 million for fiscal year 2018-19, compared to an increase of $559.0 million in the prior year, a $31.4 million change. SFMTA's total operating revenues were $505.2 million, while total operating expenses reached $1.30 billion. Operating revenues decreased by $6.8 million compared to the prior year and is mainly due to decreases in transit cash fare collections as well as parking and transportation by $7.4 million mainly due to transfer of financial recording of Union Square garage revenues to the Recreation and Park Department after the Uptown Parking Corporation was dissolved in February 2018. These decreases are offset by increases in charges for services by $1.7 million primarily due to increase in tow surcharge fees, temporary sign fees, shared electric mopeds parking permits, and other revenues by $5.1 million. Operating expenses increased by $4.6 million, primarily due to increases in contractual services by $15.0 million related to increase in software licensing fees and consultant fees, materials and supplies by $5.9 million, depreciation and amortization by $22.2 million with more assets capitalized, services provided by other departments by $4.5 million mainly from major increase in technology infrastructure and legal services,

and other operating expenses by $5.6 million due to high noncapitalizable expenditures from prior year, offset by reduction in recoverable expenditures. These increases are offset by decreases in personal services by $31.7 million attributable to reduction of pension and OPEB expenses, and general and administrative by $16.9 million mainly due to decrease in claim liability per actuarial study. Net nonoperating revenue increased by $51.2 million, mostly from federal, state and other operating grants, amortized portion of the lease leaseback benefits, gain on disposal of assets, and interest and investment income which were offset by decrease in development fees. Capital contributions increased by $3.5 million due to an increase in capital expenditures incurred and billable to grantors mostly related to Trolley Vehicles and New Light Rail Vehicles procurement, and other miscellaneous projects. Net transfers in decreased by $74.6 million due to decrease of $176.3 million in capital project support from the City's General Obligation Bonds. This decrease was offset by $75.2 million increase in transfers from the City's General Fund for revenue baseline subsidy, in lieu of parking tax and population-based allocation, and $21.5 million increase in transfers from other City departments.

- LHH, the City's skilled nursing care hospital, had an increase in net position of $62.3 million at the end of fiscal year 2018-19, compared to a decrease of $67.7 million at the end of the previous year, a $130.0 million difference. The LHH's loss before transfers for the year was $71.1 million versus a loss of $118.0 million for the prior year. This change of $46.9 million was mostly due to a $10.0 million decrease in operating revenues, a $55.9 million decrease in operating expenses, and a $1.0 million increase in net nonoperating revenues. Net transfers increased by approximately $83.1 million, due to a $78.6 million increase in transfers in and a $4.5 million decrease in transfers out.

- SFGH, the City's acute care hospital, ended fiscal year 2018-19 with a net position increase of $16.0 million, compared to a decrease of $57.5 million the prior year, a $73.5 million change. Operating revenues increased $56.2 million from prior year, mainly due to a $54.9 million increase in net patient service revenue. Operating expenses decreased approximately $1.0 million, mainly due to a $7.9 million decrease in materials and supplies and a $4.1 million decrease in general and administrative expense, offset by a $4.9 million increase in contractual services and a $3.6 million increase in personal services. Net nonoperating revenues increased $2.9 million, mainly due to an increase in interest and investment income. Net transfers increased by approximately $13.4 million, due to a $18.5 million increase in transfers in and a $5.1 million increase in transfers out.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds statements is to provide information on near-term inflows, outflows, and balances of resources available for future spending. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Fund.

At the end of fiscal year 2018-19, the City governmental funds reported combined fund balances of $5.14 billion, an increase of $563.3 million or 12.3 percent over the prior year. Of the total fund balances, $1.48 billion is assigned and $631.1 million is unassigned. The total of $2.11 billion or 41.0 percent of the total fund balances constitutes the fund balances that are accessible to meet the City's needs. Within these fund balance classifications, the General Fund had an assigned fund balance of $1.36 billion. The remainder of the governmental fund balances includes $1.4 million nonspendable for items that are not expected to be converted to cash such as advances and long-term loans, $2.63 billion restricted for programs at various levels and $397.6 million committed for other reserves.

The General Fund is the chief operating fund of the City. As a measure of liquidity, both the sum of assigned and unassigned fund balances and total fund balance can be compared to total fund expenditures. As of the end of the fiscal year, assigned and unassigned fund balances totaled $1.99 billion while total fund balance reached $2.72 billion. Combined assigned and unassigned fund balances represent 49.5 percent of total expenditures, while total fund balance represents 67.4 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by $1.86 billion, before transfers and other items of $1.36 billion, resulting in total fund balance increasing by $495.1 million. Overall, the significant growth in revenues, particularly in property taxes, real property transfer taxes, interest and investment income, federal and state grant revenues was partly offset by increased transfers to other funds to meet voter-mandated spending requirements, as well as expenditure growth, particularly in community health, human welfare and neighborhood development and public protection due to growing demand for services. The net result was an increase in fund balance this fiscal year.

Proprietary Funds

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

At the end of fiscal year 2018-19, the unrestricted net position for the proprietary funds was as follows: Airport: $44.1 million, Hetch Hetchy Water and Power: $226.7 million, Wastewater Enterprise: $75.7 million, and the Port: $82.0 million. In addition, the following funds had net deficits in unrestricted net position: Water Enterprise: $37.5 million, SFMTA: $571.6 million, San Francisco General Hospital: $635.1 million, and Laguna Honda Hospital: $301.6 million.

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City's proprietary funds (in thousands). This shows that the total net position for these funds increased by approximately $913.7 million due to the current year financial activities. Reasons for this change are discussed in the previous section on the City's business-type activities.

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expense)	Capital Contributions and Others	Interfund Transfers, Net	Special Item	Change In Net Position
Airport	$ 980,443	$ 764,011	$ 216,432	$ (99,126)	$ 23,611	$ (49,112)	$ -	$ 91,805
Water	542,391	357,094	185,297	(113,549)	-	(19,134)	-	52,614
Hetch Hetchy	345,386	310,277	35,109	20,014	-	24,490	-	79,613
Municipal Transportation Agency	505,159	1,298,715	(793,556)	247,453	441,989	631,763	-	527,649
General Hospital	828,865	961,126	(132,261)	63,400	-	84,881	-	16,020
Wastewater Enterprise	331,081	259,813	71,268	(12,254)	-	(3,996)	-	55,018
Port	122,033	112,108	9,925	(1,488)	1,469	440	18,340	28,686
Laguna Honda Hospital	185,259	268,182	(82,923)	11,821	-	133,416	-	62,314
Total	$ 3,840,617	$ 4,331,326	$ (490,709)	$ 116,271	$ 467,069	$ 802,748	$ 18,340	$ 913,719

General Fund Budgetary Highlights

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year.

During the year, actual revenues and other resources were higher than the final budget by $374.1 million. The City realized $136.0 million, $103.6 million, $60.1 million, $38.4 million, $20.2 million, $16.8 million and $16.5 million more revenue than budgeted in real property transfer tax, property taxes, interest and investment income, business taxes, state health and welfare realignment subventions, sales and use tax and hotel room tax, respectively. These increases were partly offset by lower than budgeted revenues of $25.1 million, $12.3 million, $5.2 million, in federal grants and subventions, MediCal, MediCare and health service charges and utility user taxes, respectively.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $129.6 million in expenditure savings. Major factors include:

- $19.7 million savings in Mayor's Housing and Community Development (MOHCD) due primarily to savings from loans issued through the housing trust fund and from loans issued as an interdepartmental service performed by MOHCD on behalf of other City departments. The Human Services Agency has a saving of $18.6 million due largely to reductions in aid assistance and aid payments from lower than expected caseloads, contracts and services needed by other departments. The Department of Homelessness and Supporting Housing also has a saving of $10.2 million which consisted of community-based organization services for Transitional-Aged Youth and 1K Person Project which was partly offset by higher-than-budgeted spending on Shelter and Housing for the Homeless Project.

- $28.1 million savings in general city responsibilities mostly due to unexpended community-based organization grant funds of $25.4 million and mandatory fringe benefits adjustments and reduced services provided by other departments account for the remaining balance.

- $21.7 million of savings in City Attorney, Treasurer's Office, City Planning and other departments in general administration and finance are mainly from salary and mandatory fringe savings, nonpersonnel services savings, and recoveries.

- $11.4 million savings in services needed from other departments and programmatic projects due to delays in implementing development projects by Office of Economic and Workforce Development.

- The remaining lower than budgeted expenditures are savings from departments in community health for $8.5 million, public protection for $8.1 million and $1.7 million in culture and recreation.

The net effect of substantial revenue increases and savings in expenditures was a budgetary fund balance available for subsequent year appropriation of $812.7 million at the end of fiscal year 2018-19. The City's fiscal year 2019-20 and 2020-21 Adopted Original Budget assumed an available balance of $495.8 million fully appropriated in fiscal year 2019-20 and fiscal year 2020-21 and contingency reserves of $308.0 million, leaving $8.8 million available for future appropriations. Strong revenue also led to reserve deposits that resulted in the City meeting its economic stabilization reserve target of ten percent of General Fund actual total revenues for the first time (see also Note to the Required Supplementary Information for additional budgetary fund balance details).

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2019, increased by $2.57 billion, 10.6 percent, to $26.84 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, bridges, and intangible assets. Governmental activities contributed $352.0 million or 13.7 percent to this total while $2.22 billion or 86.3 percent was from business-type activities. Details are shown in the table below.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 519,234	$ 484,474	$ 257,803	$ 269,158	$ 777,037	$ 753,632
Construction in progress	684,859	849,925	5,851,307	5,449,248 *	6,536,166	6,299,173
Facilities and improvements	3,850,118	3,407,411	11,916,790	10,528,058	15,766,908	13,935,469
Machinery and equipment	182,081	187,041	1,755,125	1,344,019	1,937,206	1,531,060
Infrastructure	823,330	775,405	856,139	830,084	1,679,469	1,605,489
Intangible assets	95,442	98,769	52,482	50,009	147,924	148,778
Total	$ 6,155,064	$ 5,803,025	$ 20,689,646	$ 18,470,576	$ 26,844,710	$ 24,273,601

* See Note 2(t) to the basic financial statements.

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

- Under governmental activities, net capital assets increased by $352.0 million or 6.1 percent. About $521.9 million worth of construction in progress work was substantially completed and capitalized as facilities and improvements and infrastructure. Of the completed projects, about $401.2 million in the Moscone Center Improvement Project, $20.6 million and $13.0 million for Fire Stations 5 and 16, respectively, due to the Earthquake Safety and Emergency Response Bond expenditures, and $10.2 million in the Polk Street Improvement Project. The remaining completed projects are mainly public works.

- The Water Enterprise's net capital assets increased by $125.4 million or 2.4 percent, reflecting an increase in construction and capital improvement activities. Major additions to construction work in progress included Calaveras Dam Replacement, Recycled Water, Sunol Long Term Improvements, Regional Groundwater Storage and Recovery projects, Water Main Replacement at Van Ness Avenue/Market/Lombard Streets, various New Water Utility Services, San Francisco Groundwater Supply, and other upgrade and improvement programs. As of June 30, 2019, Water Enterprise's Water System Improvement Program was 97.0 percent completed with the construction of its multi-billion-dollar, multi-year program to upgrade its regional and local water systems. The program consists of 35 local projects within San Francisco and 52 regional projects spread over seven different counties from the Sierra foothills to San Francisco. As of June 30, 2019, 34 local projects were completed, and the target completion date is December 2019. For regional projects, 42 are completed and the expected completion date is December 2021. The Water System Improvement Program delivers capital improvements that enhance the Enterprise's ability to provide reliable, affordable, high quality drinking water to its customers.

- SFMTA's net capital assets increased by $592.7 million or 14.0 percent mainly from procurement of new revenue vehicles of $373.6 million and for the Central Subway Project construction in progress of $134.7 million. The remaining $84.4 million was from radio replacement, system upgrade, facility improvement, street improvement, and various infrastructure work. Equipment costs of $547.9 million were incurred during the fiscal year for radio replacement and the procurement of hybrid motor buses, trolley buses, and light rail vehicles. Facilities and improvements cost totaling $81.9 million was incurred in fiscal year 2018-19 for facility upgrades, Islais Creek annex renovation projects, and land improvements.

- Laguna Honda Hospital's net capital assets decreased by $10.0 million or 2.0 percent due primarily higher depreciation expense and lower new construction in progress due to the completion of the new hospital facility in March 2014. LHH provides 780 resident beds in three state of the art buildings on LHH's 62-acre campus. The 500,000 square foot facility received silver certification by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program, becoming the first green-certified hospital in California.

- SFGH's net capital assets decreased by $21.8 million or 14.4 percent due to primarily higher depreciation expense and lower new construction in progress due to the completion of the Zuckerberg San Francisco General Hospital rebuild in fiscal year 2015-16.

- The Wastewater Enterprise net capital assets reported an increase of $230.7 million or 9.3 percent reflecting an increase in construction and capital improvement activities. The Sewer System Improvement Program (SSIP) includes three phases over 20 years to improve the existing wastewater system. As of June 30, 2019, 25 projects were completed, with 21 projects in preconstruction phase, 13 projects in construction phase, and 11 projects in close-out phase. The Southeast Plant (SEP) Primary and Secondary Clarifier Upgrades Project was completed on January 21, 2019. The project is intended to upgrade the mechanical, structural, and electrical components at the primary and secondary sedimentation tanks (clarifiers) at SEP to address operational reliability and compliance with regulatory requirements for liquid treatment.

- Hetch Hetchy's net capital assets increased by $71.2 million or 14.9 percent to $550.6 million primarily due to additions of facilities, improvements, machinery, and equipment for Streetlight Replacement, Bay Corridor Project, Warnerville Substation Rehabilitation, Mountain Tunnel Improvement, and 2018 Moccasin Storm projects.

- The Airport's net capital assets increased $1.20 billion or 24.4 percent primarily due to the capitalization of higher capital improvement project costs. The Airport maintains a Capital Improvement Plan to build new facilities, improve existing facilities, renovate buildings, repair or replace infrastructure, preserve assets, enhance safety and security, develop systems functionality, and perform needed maintenance. The Additional Long-Term Parking Garage and the Revenue Enhancement and Customer Hospitality (REACH) International Terminal projects were completed in fiscal year 2018-19. Construction activity continues on major projects such as the Terminal 1 (T1) Redevelopment Program, which includes the reconstruction of a new 25-gate Boarding Area B and the expansion of T1 Central Area, a new On-Airport Hotel, the extension of the AirTrain system to the long-term parking garages, renovation of the International Terminal Departures level, Boarding Area A gate enhancements, the renovation of the Superbay Hangar, and a new Industrial Waste Treatment Plant. Other notable projects are in programming and design such as the modernization of Terminal 3 (T3) West to the same customer experience and environmental standards as Terminal 2 (T2), and the Courtyard 3 Connector with a post-security passenger connector between T2 and T3 in conjunction with a multi-story office block for Commission and tenant use.

- The Port's net capital assets increased by $29.6 million or 6.8 percent due to capitalization and depreciation of capital improvements in 2019, including the Crane Cove Park, a major new open space in the Union Iron Works National Historic District located at Pier 70. Pier 31.5 (Alcatraz Ferry Embarkation) Substructure Repair project included repairs to the Pier 31.5 marginal wharf and infill wharf and adjacent apron substructures. Pier 94 Backlands Improvements Project included creation of a storm water management system, landscaping, capping of a regulated landfill area, installation of lighting and other utilities, and the construction of a new access road. Pier 68 Shipyard Power Relocation Project replaced aged electrical infrastructure throughout the Pier 68 Shipyard. Pier 27 Passenger Shelter project installed a steel-framed passenger shelter, approximately 2,600 square feet, at the ground transportation area of the Pier 27 Cruise Terminal.

At the end of the year, the City's business-type activities had approximately $1.30 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated $237.7 million, MTA had $422.2 million, Wastewater had $269.1 million, Airport had $246.8 million, Hetch Hetchy had $96.5 million, Port had $21.2 million, Laguna Honda Hospital had $0.2 million and the General Hospital had $6.8 million.

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

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

Debt Administration

At June 30, 2019, the City had total long-term and commercial paper debt outstanding of $19.85 billion. Of this amount, $2.49 billion represents general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City. The remaining $17.36 billion represents revenue bonds, commercial paper notes, certificates of participation and other debts of the City secured solely by specified revenue sources. As noted previously, the City's total long-term debt including all bonds, loans, commercial paper notes and capital leases increased by $1.61 billion or 8.8 percent during the fiscal year.

For the year ended June 30, 2019, the net decrease in the long-term debt in the governmental activities was $314.8 million and the net increase in business-type activities was $1.80 billion as discussed in the highlights above.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the assessed value of taxable property in the City – estimated at $258.55 billion in value as of the close of the fiscal year. As of June 30, 2019, the City had $2.49 billion in authorized, outstanding general obligation bonds, which is equal to approximately 0.91 percent of gross (0.96 percent of net) taxable assessed value of property. As of June 30, 2019, there were an additional $1.09 billion in bonds that were authorized but unissued. If all these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.31 percent of gross (1.39 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2019 were:

Standard & Poor's Global Ratings	AAA
Moody's Investors Service, Inc.	Aaa
Fitch Ratings	AA+

During the fiscal year, Standard & Poor's Global Ratings (S&P) raised the City's general obligation bonds rating to "AAA" from "AA+" and revised the rating outlook from "Positive" to "Stable". Moody's Investors Service (Moody's) and Fitch Ratings affirmed the City's ratings of "Aaa" and "AA+", respectively, and both maintained a "Stable" rating outlook on all the City's outstanding general obligation bonds.

The City's business-type activities carried underlying debt ratings for the SFMTA of "AA" with Stable Rating Outlook from Standard & Poor's and "Aa2" from Moody's. Moody's, Standard & Poor's and Fitch Ratings affirmed their underlying credit ratings on the outstanding debt of the Airport of "A1", "A+" and "A+", respectively, each with a "Stable" rating outlook . The Wastewater Enterprise carried underlying ratings of "Aa3" and "AA" from Moody's and Standard & Poor's, respectively.

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

Economic factors and future budgets and rates

San Francisco has continued to experience improvement in the economy during the fiscal year. The following economic factors were considered in the preparation of the City's budget for fiscal years 2019-20 and 2020-21. This two-year budget was adopted by the Mayor and the Board of Supervisors. It is a rolling budget for all departments, except for the Airport, PUC enterprises, SFMTA, the Port of San Francisco and Child Support Services, which each have a fixed two-year budget.

- The City's average unemployment rate for fiscal year 2018-19 was 2.3 percent, a decrease of 0.3 percent from the average unemployment rate in fiscal year 2017-18.

- Housing prices continued to show growth, reaching new historical highs. The average median home price in fiscal year 2018-19 was $1.4 million, up 4.4 percent from the previous fiscal year.

- Commercial rents have shown strong growth, also reaching new historical highs. The monthly per square foot rental rates for commercial space grew to $81.72 in fiscal year 2018-19, a 9.1 percent increases over the prior year.

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

The Board of Supervisors approved a final two-year budget for fiscal years 2019-20 and 2020-21 in July 2019, which assumes use of prior year fund balance from General Fund of $210.6 million and $285.2 million, respectively.

REQUESTS FOR INFORMATION

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

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

Individual Department Financial Statements

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

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

San Francisco Water Enterprise
Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise
Chief Financial Officer
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102

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

Municipal Transportation Agency
SFMTA Chief Financial Officer
1 South Van Ness Avenue, 3rd Floor
San Francisco, CA 94103

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

Zuckerberg San Francisco
General Hospital and Trauma Center
Chief Financial Officer
1001 Potrero Avenue, Suite 2A5
San Francisco, CA 94110

San Francisco
Employees' Retirement System
Executive Director
1145 Market Street, 5th Floor
San Francisco, CA 94103

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

Retiree Health Care Trust
c/o Employees' Retirement System
1145 Market Street, 5th Floor
San Francisco, CA 94103

Blended Component Units Financial Statements

San Francisco County Transportation Authority
Deputy Director for Administration and Finance
1455 Market Street, 22nd Floor
San Francisco, CA 94103

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

WWW.SFGOV.ORG

Statement of Net Position
June 30, 2019
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
ASSETS				
Current assets:				
Deposits and investments with City Treasury	$ 5,848,403	2,452,211	$ 8,300,614	$ -
Deposits and investments outside City Treasury	274,933	14,988	289,921	-
Receivables (net of allowance for uncollectible amounts of $283,147 for the primary government):				
Property taxes and penalties	109,824	-	109,824	-
Other local taxes	394,946	-	394,946	-
Federal and state grants and subventions	277,228	296,325	573,553	-
Charges for services	126,243	287,606	413,849	541
Interest and other	46,980	239,513	286,493	7
Due from component units	5,517	6	5,523	-
Inventories	-	102,735	102,735	-
Other assets	20,185	14,212	34,397	-
Restricted assets:				
Deposits and investments with City Treasury	-	554,805	554,805	-
Deposits and investments outside City Treasury	6,565	452,454	459,019	-
Grants and other receivables	-	45,574	45,574	-
Total current assets	7,110,824	4,460,429	11,571,253	548
Noncurrent assets:				
Loan receivables (net of allowance for uncollectible amounts of $1,493,211)	184,555	-	184,555	-
Advance to component units	6,442	2,599	9,041	-
Other assets	-	9,024	9,024	-
Restricted assets:				
Deposits and investments with City Treasury	-	1,512,128	1,512,128	-
Deposits and investments outside City Treasury	-	568,760	568,760	-
Grants and other receivables	-	22,494	22,494	-
Capital assets:				
Land and other assets not being depreciated	1,213,666	6,121,153	7,334,819	34,846
Facilities, infrastructure and equipment, net of depreciation	4,941,398	14,568,493	19,509,891	12
Total capital assets	6,155,064	20,689,646	26,844,710	34,858
Total noncurrent assets	6,346,061	22,804,651	29,150,712	34,858
Total assets	13,456,885	27,265,080	40,721,965	35,406
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt	12,767	204,755	217,522	-
Deferred outflows on derivative instruments	-	38,828	38,828	-
Deferred outflows related to pensions	814,250	560,455	1,374,705	14
Deferred outflows related to OPEB	169,737	143,245	312,982	-
Total deferred outflows of resources	$ 996,754	$ 947,283	$ 1,944,037	$ 14

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position (Continued)
June 30, 2019
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
LIABILITIES				
Current liabilities:				
Accounts payable	$ 516,881	$ 230,184	$ 747,065	$ 639
Accrued payroll	118,941	91,560	210,501	87
Accrued vacation and sick leave pay	98,666	68,412	167,078	-
Accrued workers' compensation	51,733	39,274	91,007	-
Estimated claims payable	87,006	48,686	135,692	-
Bonds, loans, capital leases, and other payables	286,439	858,088	1,144,527	-
Accrued interest payable	19,192	65,501	84,693	-
Unearned grant and subvention revenues	64,965	-	64,965	-
Due to primary government	-	-	-	3,874
Internal balances	66,768	(66,768)	-	-
Unearned revenues and other liabilities	869,171	466,085	1,335,256	1,950
Liabilities payable from restricted assets:				
Bonds, loans, capital leases, and other payables	-	40,782	40,782	-
Accrued interest payable	-	56,096	56,096	-
Other	-	250,634	250,634	-
Total current liabilities	2,179,762	2,148,534	4,328,296	6,550
Noncurrent liabilities:				
Accrued vacation and sick leave pay	71,303	46,600	117,903	-
Accrued workers' compensation	229,735	187,616	417,351	-
Estimated claims payable	147,379	60,430	207,809	-
Bonds, loans, capital leases, and other payables	3,690,534	14,970,503	18,661,037	-
Advance from primary government	-	-	-	2,599
Unearned revenues and other liabilities	1,553	145,287	146,840	-
Derivative instruments liabilities	-	46,085	46,085	-
Net pension liability	2,656,465	1,772,650	4,429,115	28
Net other postemployment benefits (OPEB) liability	1,945,998	1,643,413	3,589,411	-
Total noncurrent liabilities	8,742,967	18,872,584	27,615,551	2,627
Total liabilities	10,922,729	21,021,118	31,943,847	9,177
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt	534	1,328	1,862	-
Deferred inflows related to pensions	448,400	336,786	785,186	4
Deferred inflows related to OPEB	180,485	152,410	332,895	-
Total deferred inflows of resources	629,419	490,524	1,119,943	4
NET POSITION				
Net investment in capital assets, Note 10(d)	3,681,341	6,764,333	10,048,870	34,858
Restricted for:				
Reserve for rainy day	324,977	-	324,977	-
Debt service	104,720	331,118	435,838	-
Capital projects, Note 10(d)	186,015	556,980	692,052	-
Community development	624,127	-	624,127	-
Transportation Authority activities	21,554	-	21,554	-
Building inspection programs	166,510	-	166,510	-
Children and families	181,248	-	181,248	-
Culture and recreation	197,547	-	197,547	-
Grants	116,829	-	116,829	-
Other purposes	100,860	165,675	266,535	-
Total restricted	2,024,387	1,053,773	3,027,217	-
Unrestricted (deficit), Note 10(d)	(2,804,237)	(1,117,385)	(3,473,875)	(8,619)
Total net position	$ 2,901,491	$ 6,700,721	$ 9,602,212	$ 26,239

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Activities
Year Ended June 30, 2019
(In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
Primary government:								
Governmental activities:								
Public protection	$ 1,496,341	$ 121,848	$ 196,572	$ -	$ (1,177,921)	$ -	$ (1,177,921)	$ -
Public works, transportation and commerce	331,717	164,578	37,216	77,548	(52,375)	-	(52,375)	-
Human welfare and neighborhood development	1,720,425	134,839	764,923	28,750	(791,913)	-	(791,913)	-
Community health	960,422	101,678	380,544	750	(477,450)	-	(477,450)	-
Culture and recreation	594,219	136,928	2,203	126,136	(328,952)	-	(328,952)	-
General administration and finance	330,358	99,278	2,492	-	(228,588)	-	(228,588)	-
General City responsibilities	156,907	56,027	8,566	-	(92,314)	-	(92,314)	-
Unallocated interest on long-term debt and cost of issuance	153,220	-	-	-	(153,220)	-	(153,220)	-
Total governmental activities	5,743,609	815,176	1,392,516	233,184	(3,302,733)	-	(3,302,733)	-
Business-type activities:								
Airport	1,067,265	980,443	-	23,611	-	(63,211)	(63,211)	-
Transportation	1,304,358	505,159	186,043	441,989	-	(171,167)	(171,167)	-
Port	123,116	122,033	3,331	1,469	-	3,717	3,717	-
Water	536,480	542,391	200	-	-	6,111	6,111	-
Power	314,471	345,386	3,390	-	-	34,305	34,305	-
Hospitals	1,236,823	1,014,124	58,558	-	-	(164,141)	(164,141)	-
Sewer	304,010	331,081	235	-	-	27,306	27,306	-
Total business-type activities	4,886,523	3,840,617	251,757	467,069	-	(327,080)	(327,080)	-
Total primary government	$ 10,630,132	$ 4,655,793	$ 1,644,273	$ 700,253	(3,302,733)	(327,080)	(3,629,813)	-
Component unit:								
Treasure Island Development Authority	$ 16,523	$ 10,207	$ -	$ 6,863				$ 547
General Revenues								
Taxes:								
Property taxes					2,581,308	-	2,581,308	-
Business taxes					919,552	-	919,552	-
Sales and use tax					329,296	-	329,296	-
Hotel room tax					408,348	-	408,348	-
Utility users tax					93,918	-	93,918	-
Parking tax					86,020	-	86,020	-
Real property transfer tax					364,044	-	364,044	-
Other local taxes					65,371	-	65,371	-
Interest and investment income					178,350	182,666	361,016	33
Other					88,788	237,045	325,833	1,299
Transfers - internal activities of primary government					(802,748)	802,748	-	-
Total general revenues and transfers					4,312,247	1,222,459	5,534,706	1,332
Special item:								
Receipt of South Beach Harbor operations					-	18,340	18,340	-
Change in net position					1,009,514	913,719	1,923,233	1,879
Net position at beginning of year, as restated					1,891,977	5,787,002	7,678,979	24,360
Net position at end of year					$ 2,901,491	$ 6,700,721	$ 9,602,212	$ 26,239

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

CITY AND COUNTY OF SAN FRANCISCO

Balance Sheet
Governmental Funds
June 30, 2019
(With comparative financial information as of June 30, 2018)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2019	2018	2019	2018	2019	2018
Assets:						
Deposits and investments with City Treasury	$ 3,284,538	$ 2,727,607	$ 2,538,400	$ 2,188,574	$ 5,822,938	$ 4,916,181
Deposits and investments outside City Treasury	159	4,623	274,774	393,314	274,933	397,937
Receivables (net of allowance for uncollectible amounts of $237,314 in 2019; $260,922 in 2018):						
Property taxes and penalties	95,869	286,586	13,955	15,893	109,824	302,479
Other local taxes	309,569	299,841	85,377	17,303	394,946	317,144
Federal and state grants and subventions	163,247	223,578	113,981	98,717	277,228	322,295
Charges for services	105,935	77,641	20,266	20,221	126,201	97,862
Interest and other	28,618	16,749	17,946	9,348	46,564	26,097
Due from other funds	9,845	8,601	9,644	11,101	19,489	19,702
Due from component unit	2,149	-	3,368	4,226	5,517	4,226
Advance to component unit	-	-	6,442	8,214	6,442	8,214
Loans receivable (net of allowance for uncollectible amounts of $1,493,211 in 2019; $1,376,217 in 2018)	16,004	11,694	168,551	189,133	184,555	200,827
Other assets	2,829	6,385	17,356	1,645	20,185	8,030
Total assets	$ 4,018,762	$ 3,663,305	$ 3,270,060	$ 2,957,689	$ 7,288,822	$ 6,620,994
Liabilities:						
Accounts payable	$ 333,922	$ 256,870	$ 180,615	$ 172,506	$ 514,537	$ 429,376
Accrued payroll	97,555	91,270	19,136	17,876	116,691	109,146
Unearned grant and subvention revenues	11,627	7,829	53,338	23,300	64,965	31,129
Due to other funds	797	1,423	85,460	44,914	86,257	46,337
Unearned revenues and other liabilities	633,424	693,082	235,713	60,819	869,137	753,901
Bonds, loans, capital leases, and other payables	-	-	92,779	121,868	92,779	121,868
Total liabilities	1,077,325	1,050,474	667,041	441,283	1,744,366	1,491,757
Deferred inflows of resources	224,414	390,890	179,465	161,112	403,879	552,002
Fund balances:						
Nonspendable	1,259	1,512	140	82	1,399	1,594
Restricted	324,977	143,977	2,309,105	2,232,040	2,634,082	2,376,017
Committed	397,563	371,698	-	-	397,563	371,698
Assigned	1,361,787	1,291,499	114,640	124,076	1,476,427	1,415,575
Unassigned	631,437	413,255	(331)	(904)	631,106	412,351
Total fund balances	2,717,023	2,221,941	2,423,554	2,355,294	5,140,577	4,577,235
Total liabilities, deferred inflows of resources and fund balances	$ 4,018,762	$ 3,663,305	$ 3,270,060	$ 2,957,689	$ 7,288,822	$ 6,620,994

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

CITY AND COUNTY OF SAN FRANCISCO

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019
(In Thousands)

Fund balances – total governmental funds	$ 5,140,577
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,142,974
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(4,431,747)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources and are recognized as revenues in the period the amounts become available in the governmental funds.	403,879
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(18,152)
Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	11,616
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(2,247,461)
Net OPEB liability and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(1,912,029)
Internal service funds are used by management to charge the costs of capital lease financing, equipment maintenance services, printing and mailing services, and telecommunication and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	(188,166)
Net position of governmental activities	$ 2,901,491

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019
(With comparative financial information year ended June 30, 2018)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2019	2018	2019	2018	2019	2018
Revenues:						
Property taxes	$ 2,248,004	$ 1,673,950	$ 517,469	$ 497,651	$ 2,765,473	$ 2,171,601
Business taxes	917,811	897,076	1,741	2,066	919,552	899,142
Sales and use tax	213,625	192,946	115,671	103,263	329,296	296,209
Hotel room tax	392,328	382,176	16,020	-	408,348	382,176
Utility users tax	93,918	94,460	-	-	93,918	94,460
Parking tax	86,020	83,484	-	-	86,020	83,484
Real property transfer tax	364,044	280,416	-	-	364,044	280,416
Other local taxes	65,371	60,287	-	-	65,371	60,287
Licenses, permits and franchises	27,960	28,803	15,456	14,377	43,416	43,180
Fines, forfeitures, and penalties	4,740	7,966	44,156	26,254	48,896	34,220
Interest and investment income	88,523	16,245	89,309	29,645	177,832	45,890
Rents and concessions	14,460	14,533	140,886	90,751	155,346	105,284
Intergovernmental:						
Federal	252,502	229,960	189,826	191,064	442,328	421,024
State	814,727	750,715	150,189	124,687	964,916	875,402
Other	2,120	3,134	11,510	13,859	13,630	16,993
Charges for services	257,814	248,926	179,726	166,643	437,540	415,569
Other	46,254	24,478	199,756	161,556	246,010	186,034
Total revenues	5,890,221	4,989,555	1,671,715	1,421,816	7,561,936	6,411,371
Expenditures:						
Current:						
Public protection	1,382,031	1,312,582	78,155	66,172	1,460,186	1,378,754
Public works, transportation and commerce	202,988	223,830	225,390	218,038	428,378	441,868
Human welfare and neighborhood development	1,071,309	999,048	626,772	500,168	1,698,081	1,499,216
Community health	809,120	706,322	109,210	109,440	918,330	815,762
Culture and recreation	152,250	142,215	301,304	282,579	453,554	424,794
General administration and finance	267,997	244,773	78,157	67,668	346,154	312,441
General City responsibilities	144,808	110,812	-	108	144,808	110,920
Debt service:						
Principal retirement	-	-	326,416	381,141	326,416	381,141
Interest and other fiscal charges	3	178	168,836	136,747	168,839	136,925
Bond issuance costs	-	-	876	8,934	876	8,934
Capital outlay	-	-	323,979	337,741	323,979	337,741
Total expenditures	4,030,506	3,739,760	2,239,095	2,108,736	6,269,601	5,848,496
Excess (deficiency) of revenues over (under) expenditures	1,859,715	1,249,795	(567,380)	(686,920)	1,292,335	562,875
Other financing sources (uses):						
Transfers in	104,338	112,228	749,215	512,919	853,553	625,147
Transfers out	(1,468,971)	(1,010,785)	(185,995)	(387,777)	(1,654,966)	(1,398,562)
Issuance of bonds:						
Face value of bonds issued	-	-	72,420	1,293,595	72,420	1,293,595
Premium on issuance of bonds	-	-	-	76,243	-	76,243
Other financing sources - capital leases	-	-	-	2,027	-	2,027
Total other financing sources (uses)	(1,364,633)	(898,557)	635,640	1,497,007	(728,993)	598,450
Special item:						
Receipt of Yerba Buena Garden assets	-	-	-	11,137	-	11,137
Net changes in fund balances	495,082	351,238	68,260	821,224	563,342	1,172,462
Fund balances at beginning of year	2,221,941	1,870,703	2,355,294	1,534,070	4,577,235	3,404,773
Fund balances at end of year	$ 2,717,023	$ 2,221,941	$ 2,423,554	$ 2,355,294	$ 5,140,577	$ 4,577,235

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

CITY AND COUNTY OF SAN FRANCISCO

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2019
(In Thousands)

Net changes in fund balances - total governmental funds	$ 563,342
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and loss on disposal of capital assets in the current period.	351,492
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources.	(91,936)
Property taxes are recognized as revenues in the period the amounts become available. This is the current period amount by which the deferred inflows of resources decreased in the governmental funds.	(184,165)
Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds.	28,245
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds.	(7,988)
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(12,384)
Changes to net OPEB liability and OPEB related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	70,780
The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consumes the current financial resources of governmental funds. These transactions, however, have no effect on net position. This is the amount by which principal retirement exceeded bond and other debt proceeds in the current period.	253,996
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond premiums and refunding losses and gains.	21,740
The activities of internal service funds are reported with governmental activities.	16,392
Change in net position of governmental activities	$ 1,009,514

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

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CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds

June 30, 2019
(With comparative financial information as of June 30, 2018)
(In Thousands)

	Business-Type Activities - Enterprise Funds											
	Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total 2019	Total 2018	Governmental Activities - Internal Service Funds 2019	Governmental Activities - Internal Service Funds 2018
ASSETS												
Current Assets:												
Deposits and investments with City Treasury	$ 512,978	$ 405,558	$ 291,734	$ 699,722	$ 174,902	$ 209,109	$ 158,208	$ -	$ 2,452,211	$ 2,394,027	$ 25,465	$ 36,595
Deposits and investments outside City Treasury	9,163	254	1	5,281	8	274	5	2	14,988	12,530	-	-
Receivables (net of allowance for uncollectible amounts of $45,833 and $35,131 in 2019 and 2018, respectively):												
Federal and state grants and subventions	-	111	3,512	208,538	27	39,043	13,985	31,109	296,325	344,231	-	-
Charges for services	62,003	55,151	40,672	6,873	61,290	33,781	-	27,836	287,606	304,047	42	112
Interest and other	6,043	4,953	1,998	9,232	213,974	1,454	1,299	560	239,513	122,456	416	556
Lease receivable	-	-	-	-	-	-	-	-	-	-	5,803	12,934
Due from other funds	-	660	7,251	45,550	-	297	15,308	-	69,066	32,718	-	-
Due from component unit	-	4	-	-	-	2	-	-	6	28	-	-
Inventories	224	5,426	1,615	78,214	12,447	2,284	1,348	1,177	102,735	104,617	-	-
Other assets	6,778	-	6,619	573	-	128	114	-	14,212	7,948	-	-
Restricted assets:												
Deposits and investments with City Treasury	442,428	-	-	-	-	-	26,042	86,335	554,805	436,332	-	-
Deposits and investments outside City Treasury	272,339	122,512	3,896	-	-	44,928	8,779	-	452,454	385,901	6,565	23,229
Grants and other receivables	36,900	3,771	262	-	-	4,641	-	-	45,574	35,378	-	-
Total current assets	1,348,856	598,400	357,560	1,053,983	462,648	335,941	225,088	147,019	4,529,495	4,180,213	38,291	73,426
Noncurrent assets:												
Other assets	-	3,836	940	-	-	1,517	2,731	-	9,024	10,870	-	-
Capital leases receivable	-	-	-	-	-	-	-	-	-	-	124,340	148,338
Advance to component unit	-	-	2,599	-	-	-	-	-	2,599	2,599	-	-
Restricted assets:												
Deposits and investments with City Treasury	824,883	2,224	31,868	169,268	-	483,885	-	-	1,512,128	1,458,455	-	-
Deposits and investments outside City Treasury	533,325	-	-	21,656	470	-	-	13,309	568,760	531,838	-	2,249
Grants and other receivables	6,802	3	-	981	-	453	-	14,255	22,494	23,337	-	-
Capital assets:												
Land and other assets not being depreciated	2,446,125	493,314	166,228	2,047,999	26,833	804,688	132,749	3,217	6,121,153	5,730,449	313	239
Facilities, infrastructure, and equipment, net of depreciation	3,685,217	4,895,344	384,403	2,766,773	102,617	1,917,116	331,523	485,500	14,568,493	12,740,127	11,777	11,304
Total capital assets	6,131,342	5,388,658	550,631	4,814,772	129,450	2,721,804	464,272	488,717	20,689,646	18,470,576	12,090	11,543
Total noncurrent assets	7,496,352	5,394,721	586,038	5,006,677	129,920	3,207,659	467,003	516,281	22,804,651	20,497,675	136,430	162,130
Total assets	8,845,208	5,993,121	943,598	6,060,660	592,568	3,543,600	692,091	663,300	27,334,146	24,677,888	174,721	235,556
DEFERRED OUTFLOWS OF RESOURCES												
Unamortized loss on refunding of debt	65,368	139,061	-	-	-	326	-	-	204,755	227,319	973	933
Deferred outflows on derivative instruments	38,828	-	-	-	-	-	-	-	38,828	29,245	-	-
Deferred outflows related to pensions	80,371	55,465	14,665	192,595	126,617	26,886	12,023	51,833	560,455	622,332	15,614	17,485
Deferred outflows related to OPEB	20,584	13,142	3,092	55,584	29,819	4,669	2,524	13,831	143,245	94,137	3,876	2,432
Total deferred outflows of resources	205,151	207,668	17,757	248,179	156,436	31,881	14,547	65,664	947,283	973,033	20,463	20,850

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds (Continued)

June 30, 2019
(With comparative financial information as of June 30, 2018)
(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds	
	Major Funds								Total			
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	2019	2018	2019	2018
LIABILITIES												
Current liabilities:												
Accounts payable	$ 50,424	$ 12,624	$ 30,930	$ 97,158	$ 10,634	$ 18,132	$ 7,464	$ 2,818	$ 230,184	$ 399,088	$ 2,344	$ 8,413
Accrued payroll	12,785	6,943	2,608	31,844	22,445	4,652	1,654	8,629	91,560	85,220	2,250	2,362
Accrued vacation and sick leave pay	10,499	5,706	2,534	23,773	14,533	4,151	1,362	5,854	68,412	68,784	1,936	1,997
Accrued workers' compensation	1,939	1,949	584	24,672	5,362	1,031	417	3,320	39,274	35,350	306	313
Estimated claims payable	43	3,872	757	36,801	-	7,013	200	-	48,686	48,182	-	-
Due to other funds	-	-	350	400	-	955	585	8	2,298	4,021	-	2,062
Unearned revenues and other liabilities	3,392	30,954	4,551	68,271	292,275	4,653	15,424	46,565	466,085	454,935	2,556	12,840
Accrued interest payable	-	38,288	542	4,960	87	18,486	1,740	1,398	65,501	59,037	1,040	1,153
Bonds, loans, capital leases, and other payables	186,033	264,923	53,618	10,707	17,135	315,533	3,079	7,060	858,088	645,179	6,083	12,904
Liabilities payable from restricted assets:												
Bonds, loans, capital leases, and other payables	40,782	-	-	-	-	-	-	-	40,782	65,195	-	-
Accrued interest payable	56,096	-	-	-	-	-	-	-	56,096	44,064	-	-
Other	155,738	31,915	9,622	9,673	-	42,931	-	755	250,634	325,399	-	-
Total current liabilities	517,731	397,174	106,096	308,259	362,471	417,537	31,925	76,407	2,217,600	2,234,454	16,515	42,044
Noncurrent liabilities:												
Accrued vacation and sick leave pay	7,704	4,394	1,708	15,077	10,368	3,126	957	3,266	46,600	44,904	1,649	1,454
Accrued workers' compensation	6,480	8,387	2,915	112,530	31,516	4,883	2,131	18,774	187,616	172,914	1,391	1,446
Estimated claims payable	103	7,637	1,527	41,558	-	9,355	250	-	60,430	62,149	-	-
Unearned revenue and other liabilities	-	56,164	4,403	-	-	7,500	77,220	-	145,287	131,243	-	-
Bonds, loans, capital leases, and other payables	7,786,412	4,811,382	63,864	360,156	10,952	1,744,209	86,625	106,903	14,970,503	13,209,415	128,457	160,020
Derivative instruments liabilities	46,085	-	-	-	-	-	-	-	46,085	37,558	-	-
Net pension liability	254,206	175,429	46,380	609,154	400,474	85,037	38,027	163,943	1,772,650	2,095,764	49,386	58,876
Net other postemployment benefits (OPEB) liability	236,160	150,771	35,472	637,698	342,112	53,567	28,956	158,677	1,643,413	1,716,544	44,469	44,344
Total noncurrent liabilities	8,337,150	5,214,164	156,269	1,776,173	795,422	1,907,677	234,166	451,563	18,872,584	17,470,491	225,352	266,140
Total liabilities	8,854,881	5,611,338	262,365	2,084,432	1,157,893	2,325,214	266,091	527,970	21,090,184	19,704,945	241,867	308,184
DEFERRED INFLOWS OF RESOURCES												
Unamortized gain on refunding of debt	1,096	-	-	232	-	-	-	-	1,328	1,486	356	-
Unamortized gain on leaseback transaction	-	-	-	-	-	-	-	-	-	3,680	-	-
Deferred inflows related to pensions	48,297	33,330	8,811	115,733	76,086	16,157	7,224	31,148	336,786	151,039	9,382	4,243
Deferred inflows related to OPEB	21,901	13,983	3,290	59,140	31,728	4,967	2,685	14,716	152,410	2,769	4,124	71
Total deferred inflows of resources	71,294	47,313	12,101	175,105	107,814	21,124	9,909	45,864	490,524	158,974	13,862	4,314
NET POSITION												
Net investment in capital assets	(646,073)	563,457	450,637	4,438,717	101,782	1,133,662	334,188	387,963	6,764,333	6,176,022	11,142	10,286
Restricted:												
Debt service	237,449	16,193	1,145	19,354	-	1,279	-	55,698	331,118	294,499	-	-
Capital projects	488,746	-	8,401	-	16,567	18,505	14,467	10,294	556,980	515,072	-	-
Other purposes	-	-	-	162,878	-	-	-	2,797	165,675	294,122	-	-
Unrestricted (deficit)	44,062	(37,512)	226,706	(571,647)	(635,052)	75,697	81,983	(301,622)	(1,117,385)	(1,492,713)	(71,687)	(66,378)
Total net position	$ 124,184	$ 542,138	$ 686,889	$ 4,049,302	$ (516,703)	$ 1,229,143	$ 430,638	$ 155,130	$ 6,700,721	$ 5,787,002	$ (60,545)	$ (56,092)

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

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CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2019
(With comparative financial information year ended June 30, 2018)
(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds	
	Major Funds								Total			
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	2019	2018	2019	2018
Operating revenues:												
Aviation	$ 565,635	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 565,635	$ 670,282	$ -	$ -
Water and power service	-	509,703	345,109	-	-	-	-	-	854,812	686,805	-	-
Passenger fees	-	-	-	195,736	-	-	-	-	195,736	202,280	-	-
Net patient service revenue	-	-	-	-	820,325	-	-	179,575	999,900	959,158	-	-
Sewer service	-	-	-	-	-	317,761	-	-	317,761	303,037	-	-
Rents and concessions	161,889	13,010	277	8,339	2,697	702	83,328	-	270,242	263,710	528	436
Parking and transportation	165,523	-	-	220,946	-	-	21,793	-	408,262	402,316	-	-
Other charges for services	-	-	-	33,843	-	-	-	-	33,843	32,110	154,517	152,676
Other revenues	87,396	19,678	-	46,295	5,843	12,618	16,912	5,684	194,426	166,491	-	-
Total operating revenues	980,443	542,391	345,386	505,159	828,865	331,081	122,033	185,259	3,840,617	3,686,189	155,045	153,112
Operating expenses:												
Personal services	290,125	111,594	55,902	803,222	565,326	80,693	37,905	210,098	2,154,865	2,232,115	59,979	68,147
Contractual services	91,498	13,715	12,077	148,201	224,086	19,040	19,129	12,937	540,683	507,573	62,428	59,364
Light, heat and power	24,952	-	170,275	-	-	-	2,961	-	198,188	91,391	-	-
Materials and supplies	14,904	13,421	1,856	77,895	91,162	9,853	1,353	20,466	230,910	238,688	16,369	17,197
Depreciation and amortization	268,789	120,815	19,864	189,436	24,578	60,033	24,608	12,453	720,576	686,786	2,859	2,909
General and administrative	2,852	37,798	38,640	25,717	871	53,565	3,847	-	163,290	160,643	2,714	1,720
Services provided by other departments	29,565	59,751	11,663	73,810	49,764	36,629	18,718	12,228	292,128	275,092	10,905	7,977
Other	41,326	-	-	(19,566)	5,339	-	3,587	-	30,686	61,778	3,262	2,564
Total operating expenses	764,011	357,094	310,277	1,298,715	961,126	259,813	112,108	268,182	4,331,326	4,254,066	158,516	159,878
Operating income (loss)	216,432	185,297	35,109	(793,556)	(132,261)	71,268	9,925	(82,923)	(490,709)	(567,877)	(3,471)	(6,766)
Nonoperating revenues (expenses):												
Operating grants:												
Federal	-	200	3,390	12,541	-	235	3,331	-	19,697	17,746	-	-
State / other	-	-	-	173,502	58,558	-	-	-	232,060	199,760	-	-
Interest and investment income	91,925	15,650	10,288	28,180	6,553	20,701	6,189	3,180	182,666	39,010	3,599	4,498
Interest expense	(228,941)	(177,998)	(3,066)	(5,643)	(1,711)	(43,803)	(4,334)	(5,804)	(471,300)	(426,015)	(3,911)	(4,981)
Other nonoperating revenues	112,203	49,987	10,530	38,873	-	11,007	-	14,445	237,045	246,827	665	256
Other nonoperating expenses	(74,313)	(1,388)	(1,128)	-	-	(394)	(6,674)	-	(83,897)	(115,771)	-	-
Total nonoperating revenues (expenses)	(99,126)	(113,549)	20,014	247,453	63,400	(12,254)	(1,488)	11,821	116,271	(38,443)	353	(227)
Income (loss) before capital contributions and transfers	117,306	71,748	55,123	(546,103)	(68,861)	59,014	8,437	(71,102)	(374,438)	(606,320)	(3,118)	(6,993)
Capital contributions	23,611	-	-	441,989	-	-	1,469	-	467,069	456,166	-	-
Transfers in	-	1,200	24,522	631,763	115,856	-	440	136,230	910,011	911,619	47	414
Transfers out	(49,112)	(20,334)	(32)	-	(30,975)	(3,996)	-	(2,814)	(107,263)	(158,336)	(1,382)	-
Special item:												
Receipt of South Beach Harbor operations	-	-	-	-	-	-	18,340	-	18,340	-	-	-
Change in net position	91,805	52,614	79,613	527,649	16,020	55,018	28,686	62,314	913,719	603,129	(4,453)	(6,579)
Net position (deficit) at beginning of year, as restated	32,379	489,524	607,276	3,521,653	(532,723)	1,174,125	401,952	92,816	5,787,002	5,183,873	(56,092)	(49,513)
Net position (deficit) at end of year	$ 124,184	$ 542,138	$ 686,889	$ 4,049,302	$ (516,703)	$ 1,229,143	$ 430,638	$ 155,130	$ 6,700,721	$ 5,787,002	$ (60,545)	$ (56,092)

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2019
(With comparative financial information year ended June 30, 2018)
(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds	
	Major Funds								Total			
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	2019	2018	2019	2018
Cash flows from operating activities:												
Cash received from customers, including cash deposits	$ 1,040,251	$ 540,479	$ 318,359	$ 567,427	$ 674,404	$ 328,729	$ 39,014	$ 240,791	$ 3,749,454	$ 3,627,315	$ 218,809	$ 175,852
Cash received from tenants for rent	-	12,837	275	8,585	2,697	653	81,496	-	106,543	103,003	-	-
Cash paid for employees' services	(299,273)	(124,905)	(56,282)	(802,823)	(555,815)	(84,071)	(38,534)	(210,972)	(2,172,675)	(2,099,259)	(59,767)	(61,144)
Cash paid to suppliers for goods and services	(246,160)	(126,412)	(220,629)	(358,235)	(422,536)	(107,233)	(51,571)	(102,269)	(1,635,045)	(1,248,515)	(150,275)	(87,168)
Cash paid for judgments and claims	-	(5,527)	(2,301)	(10,105)	-	(367)	-	-	(18,300)	(20,154)	-	-
Net cash provided by (used in) operating activities	494,818	296,472	39,422	(595,151)	(301,250)	137,711	30,405	(72,450)	29,977	362,390	8,767	27,540
Cash flows from noncapital financing activities:												
Operating grants	-	456	138	178,525	58,543	212	48	-	237,922	217,815	-	-
Transfers in	-	1,200	24,522	540,825	115,856	-	-	136,230	818,633	864,301	47	414
Transfers out	(49,112)	(20,334)	(32)	-	(30,975)	(3,996)	-	(2,814)	(107,263)	(174,113)	(1,382)	-
Other noncapital financing sources	1,303	5,955	9,677	19,321	-	897	5,578	8	42,739	88,445	-	-
Other noncapital financing uses	(58,972)	(1,388)	(1,011)	-	(179)	(540)	(6,500)	-	(68,590)	(93,637)	-	-
Net cash provided by (used in) noncapital financing activities	(106,781)	(14,111)	33,294	738,671	143,245	(3,427)	(874)	133,424	923,441	902,811	(1,335)	414
Cash flows from capital and related financing activities:												
Capital grants and other proceeds restricted for capital purposes	28,460	-	-	504,387	-	-	2,990	14,930	550,767	328,257	-	-
Transfers in	-	-	-	90,938	-	-	440	-	91,378	83,856	-	-
Bond sale proceeds and loans received	912,846	-	-	3,262	-	708,181	-	-	1,624,289	1,957,133	55,231	-
Proceeds from sale/transfer of capital assets	-	2,277	-	3,823	-	-	14	-	6,114	3,557	-	-
Proceeds from commercial paper borrowings	406,110	121,024	30,444	-	1,086	53,639	-	-	612,303	726,122	-	-
Proceeds from passenger facility charges	111,121	-	-	-	-	-	-	-	111,121	111,379	-	-
Acquisition of capital assets	(1,458,205)	(208,064)	(98,903)	(864,431)	(2,800)	(278,006)	(32,924)	(2,103)	(2,945,436)	(2,128,525)	(3,406)	(1,279)
Retirement of capital leases, bonds and loans	(238,180)	(79,221)	(2,828)	(10,055)	(4,823)	(48,111)	(2,693)	(6,735)	(392,646)	(892,379)	(92,719)	(11,194)
Bond issue costs paid	-	(4)	-	-	-	(2,801)	-	-	(2,805)	(1,734)	(644)	-
Interest paid on debt	(310,491)	(231,605)	(3,642)	(8,006)	(1,704)	(64,187)	(4,463)	(6,019)	(630,117)	(606,153)	(3,977)	(4,739)
Federal interest income subsidy from Build America Bonds	-	23,977	581	-	-	4,018	-	-	28,576	28,806	-	-
Other capital financing sources	-	-	-	15,083	-	-	550	-	15,633	14,427	7,566	-
Other capital financing uses	-	-	-	-	-	-	(2,565)	-	(2,565)	(4,920)	-	-
Net cash provided by (used in) capital and related financing activities	(548,339)	(371,616)	(74,348)	(264,999)	(8,241)	372,733	(38,651)	73	(933,388)	(380,174)	(37,949)	(17,212)
Cash flows from investing activities:												
Purchases of investments with trustees	(900,887)	(514,907)	(3,802)	-	-	(173,033)	-	-	(1,592,629)	(1,150,780)	-	(2,260)
Proceeds from sale of investments with trustees	966,275	484,965	4,840	-	-	166,729	-	12,733	1,635,542	1,241,380	2,260	-
Interest and investment income	49,000	10,829	5,979	25,933	6,553	12,654	5,465	2,847	119,260	48,011	510	119
Other investing activities	-	-	-	-	-	-	-	-	-	-	(47)	(313)
Net cash provided by (used in) investing activities	114,388	(19,113)	7,017	25,933	6,553	6,350	5,465	15,580	162,173	138,611	2,723	(2,454)
Net increase (decrease) in cash and cash equivalents	(45,914)	(108,368)	5,385	(95,546)	(159,693)	513,367	(3,655)	76,627	182,203	1,023,638	(27,794)	8,288
Cash and cash equivalents-beginning of year	1,846,996	587,604	320,857	991,473	335,073	213,817	196,416	23,019	4,515,255	3,491,617	59,824	51,536
Cash and cash equivalents-end of year	$ 1,801,082	$ 479,236	$ 326,242	$ 895,927	$ 175,380	$ 727,184	$ 192,761	$ 99,646	$ 4,697,458	$ 4,515,255	$ 32,030	$ 59,824

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds (Continued)

Year Ended June 30, 2019
(With comparative financial information year ended June 30, 2018)
(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds	
	Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total 2019	Total 2018	2019	2018
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Operating income (loss)	$ 216,432	$ 185,297	$ 35,109	$ (793,556)	$ (132,261)	$ 71,268	$ 9,925	$ (82,923)	$ (490,709)	$ (567,877)	$ (3,471)	$ (6,766)
Adjustments for non-cash and other activities:												
Depreciation and amortization	268,789	120,815	19,864	189,436	24,578	60,033	24,608	12,453	720,576	686,786	2,859	2,909
Provision for uncollectibles	(302)	147	246	132	-	149	2,212	-	2,584	(352)	-	-
Write-off of capital assets	-	1,286	6,101	-	-	8,386	-	-	15,773	5,697	-	-
Other	3,177	-	-	-	-	-	-	-	3,177	4,150	43	99
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:												
Receivables, net	33,913	(1,919)	(28,246)	2,535	(105,924)	(2,166)	(3,322)	730	(104,399)	15,343	18,590	17,363
Due from other funds	-	(370)	2,792	-	2	(184)	(350)	38,409	40,299	(28,771)	-	-
Inventories	(173)	135	(1,214)	3,156	355	(202)	4	(179)	1,882	(6,243)	-	-
Other assets	(3,065)	-	(2,337)	(442)	-	-	846	-	(4,998)	(2,626)	-	-
Accounts payable	(18,219)	(2,930)	11,545	7,895	(51,669)	52	(844)	(56,459)	(110,629)	141,605	(6,242)	4,750
Accrued payroll	887	283	263	2,652	1,660	258	(13)	623	6,613	5,249	(112)	120
Accrued vacation and sick leave pay	148	(586)	291	370	198	862	64	(23)	1,324	4,651	134	235
Accrued workers' compensation	426	(621)	550	6,387	7,360	130	(452)	4,845	18,625	14,337	(62)	(41)
Estimated claims payable	-	(1,893)	(182)	(1,538)	-	2,302	-	-	(1,311)	16,456	-	-
Due to other funds	-	(96)	(1,650)	311	-	-	585	-	(850)	(2,936)	-	-
Unearned revenue and other liabilities	3,392	11,504	(1,544)	(4,866)	(45,841)	3,265	(2,194)	16,393	(19,891)	(23,391)	(3,226)	2,182
Net pension liability and pension related deferred outflows and inflows of resources	(16,961)	(8,710)	(3,752)	(26,789)	12,403	(3,958)	(667)	(6,293)	(54,727)	(52,133)	(2,480)	4,884
Net OPEB liability and OPEB related deferred outflows and inflows of resources	6,374	(5,870)	1,586	19,166	(12,111)	(2,484)	3	(26)	6,638	152,445	2,734	1,805
Total adjustments	278,386	111,175	4,313	198,405	(168,989)	66,443	20,480	10,473	520,686	930,267	12,238	34,306
Net cash provided by (used in) operating activities	$ 494,818	$ 296,472	$ 39,422	$ (595,151)	$ (301,250)	$ 137,711	$ 30,405	$ (72,450)	$ 29,977	$ 362,390	$ 8,767	$ 27,540
Reconciliation of cash and cash equivalents to the statement of net position:												
Deposits and investments with City Treasury:												
Unrestricted	$ 512,978	$ 405,558	$ 291,734	$ 699,722	$ 174,902	$ 209,109	$ 158,208	$ -	$ 2,452,211	$ 2,394,027	$ 25,465	$ 36,595
Restricted	1,267,311	2,224	31,868	169,268	-	483,885	26,042	86,335	2,066,933	1,894,787	-	-
Deposits and investments outside City Treasury:												
Unrestricted	9,163	254	1	5,281	8	274	5	2	14,988	12,530	-	-
Restricted	805,664	122,512	3,896	21,656	470	44,928	8,779	13,309	1,021,214	917,739	6,565	25,478
Total deposits and investments	2,595,116	530,548	327,499	895,927	175,380	738,196	193,034	99,646	5,555,346	5,219,083	32,030	62,073
Less: Investments outside City Treasury not meeting the definition of cash equivalents	(794,034)	(51,312)	(1,257)	-	-	(11,012)	(273)	-	(857,888)	(703,828)	-	(2,249)
Cash and cash equivalents at end of year on statement of cash flows	$ 1,801,082	$ 479,236	$ 326,242	$ 895,927	$ 175,380	$ 727,184	$ 192,761	$ 99,646	$ 4,697,458	$ 4,515,255	$ 32,030	$ 59,824
Non-cash capital and related financing activities:												
Acquisition of capital assets on accounts payable and capital lease	$ 150,568	$ 31,915	$ 9,622	$ -	$ -	$ 42,931	$ 3,790	$ 557	$ 239,383	$ 301,232	$ 74	$ 3,599
Tenant improvements financed by rent credits	-	-	-	-	-	-	90	-	90	2,590	-	-
Net capitalized interest	66,267	53,431	724	7,906	-	27,354	64	-	155,746	115,993	-	-
Donated inventory	-	-	-	-	1,746	-	-	-	1,746	1,490	-	-
Capital contributions and other noncash capital items	-	-	-	-	-	-	(188)	-	(188)	(1,413)	-	-
Bond refunding through fiscal agent	18,134	-	-	-	-	-	-	-	18,134	26,789	-	-
Bond proceeds held by fiscal agent	577,510	-	-	-	-	-	-	-	577,510	802,338	-	-
Commercial paper repaid through fiscal agent	431,945	-	-	-	-	-	-	-	431,945	706,285	-	-
Interfund loan	-	-	-	-	-	955	-	-	955	1,157	-	-
Capital assets received from Successor Agency	-	-	-	-	-	-	19,966	-	19,966	-	-	-
Debt assumed from Successor Agency	-	-	-	-	-	-	(6,144)	-	(6,144)	-	-	-

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2019
(In Thousands)

	Pension, Other Employee and Other Post-Employment Benefit Trust Funds	Investment Trust Fund	Private-Purpose Trust Fund	Agency Funds
ASSETS				
Deposits and investments with City Treasury	$ 136,076	$ 471,722	$ 286,681	$ 268,964
Deposits and investments outside City Treasury:				
Cash and deposits	62,375	-	-	34
Short-term investments	480,961	-	-	-
Debt securities	2,869,325	-	-	-
Equity securities	8,752,935	-	-	-
Real assets	4,334,229	-	-	-
Private equity and other alternative investments	9,937,307	-	-	-
Foreign currency contracts, net	96	-	-	-
Receivables:				
Employer and employee contributions	42,419	-	-	148,160
Brokers, general partners and others	145,829	-	-	-
Federal and state grants and subventions	-	-	404	-
Interest and other	24,004	4,348	7,226	135,893
Loans (net of allowance for uncollectible amounts)	-	-	1,499	-
Other assets	3,066	-	1,824	45,538
Restricted assets:				
Deposits and investments outside City Treasury	-	-	293,497	-
Capital assets:				
Land and other assets not being depreciated	-	-	18,525	-
Facilities, infrastructure and equipment, net of depreciation	-	-	13	-
Total assets	26,788,622	476,070	609,669	598,589
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt	-	-	44,090	-
Deferred outflows related to pensions	-	-	6,678	-
Deferred outflows related to OPEB	1,027	-	4,213	-
Total deferred outflows of resources	1,027	-	54,981	-
LIABILITIES				
Accounts payable	35,410	-	80,521	49,571
Estimated claims payable	27,899	-	-	-
Due to the primary government	-	-	1,649	-
Agency obligations	-	-	-	549,018
Accrued interest payable	-	-	14,521	-
Payable to brokers	148,879	-	-	-
Other liabilities	3,137	-	864	-
Advance from primary government	-	-	6,442	-
Long-term obligations	-	-	993,212	-
Net pension liability	-	-	27,178	-
Net other postemployment benefits (OPEB) liability	11,785	-	6,568	-
Total liabilities	227,110	-	1,130,955	598,589
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	-	-	4,652	-
Deferred inflows related to OPEB	1,093	-	14	-
Total deferred inflows of resources	1,093	-	4,666	-
NET POSITION				
Restricted for pension and other employee benefits	26,561,446	-	-	-
Held for external pool participants	-	476,070	-	-
Held for Redevelopment Agency dissolution	-	-	(470,971)	-
Total net position	$ 26,561,446	$ 476,070	$ (470,971)	$ -

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2019
(In Thousands)

	Pension, Other Employee and Other Post-Employment Benefit Trust Funds	Investment Trust Fund	Private-Purpose Trust Fund
Additions:			
Redevelopment property tax revenues	$ -	$ -	$ 158,635
Charges for services	-	-	13,717
Contributions:			
Employee contributions	587,150	-	-
Employer contributions	1,664,583	-	-
Contributions to pooled investments	-	4,159,607	-
Total contributions	2,251,733	4,159,607	172,352
Investment income (expenses):			
Interest	102,968	18,648	13,603
Dividends	203,047	-	-
Net appreciation in fair value of investments	1,744,754	-	-
Total investment income	2,050,769	18,648	13,603
Less investment income:			
Other investment expenses	(48,758)	-	-
Net investment income	2,002,011	18,648	13,603
Other additions	-	-	7,661
Total additions, net	4,253,744	4,178,255	193,616
Deductions:			
Neighborhood development	-	-	143,500
Depreciation	-	-	718
Interest on debt	-	-	45,916
Benefit payments	2,565,742	-	-
Refunds of contributions	17,747	-	-
Distribution from pooled investments	-	4,409,040	-
Administrative expenses	19,115	-	11,656
Total deductions	2,602,604	4,409,040	201,790
Change in net position	1,651,140	(230,785)	(8,174)
Net position at beginning of year	24,910,306	706,855	(462,797)
Net position at end of year	$ 26,561,446	$ 476,070	$ (470,971)

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

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements
June 30, 2019
(Dollars in Thousands)

(1) THE FINANCIAL REPORTING ENTITY

San Francisco is a city and county chartered by the State of California and as such can exercise the powers as both a city and a county under state law. As required by generally accepted accounting principles, the accompanying financial statements present the City and County of San Francisco (the City or primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

As a government agency, the City is exempt from both federal income taxes and California State franchise taxes.

Blended Component Units

Following is a description of those legally separate component units for which the City is financially accountable that are blended with the primary government because of their individual governance or financial relationships to the City.

San Francisco County Transportation Authority (Transportation Authority) – The voters of the City created the Transportation Authority in 1989 to impose voter-approved sales and use tax of one-half of one percent, for a period not to exceed 20 years, to fund essential traffic and transportation projects. In 2003, the voters approved Proposition K, extending the city-wide one-half of one percent sales tax with a new 30-year plan. A board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the Transportation Authority. The Transportation Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Transportation Authority can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103.

San Francisco City and County Finance Corporation (Finance Corporation) – The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase $20.0 million (plus 5.0% per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

San Francisco Parking Authority (Parking Authority) – The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (PTC). The PTC consists of five commissioners appointed by the Mayor. Upon creation of the PTC, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the PTC. The staff and fiscal operations of the Parking Authority were also incorporated into the PTC. Beginning on July 1, 2002, the responsibility for overseeing the operations of the PTC became the responsibility of the Municipal Transportation Agency (SFMTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the SFMTA Chief Financial Officer at 1 South Van Ness Avenue, 3rd Floor, San Francisco, CA 94103.

Discretely Presented Component Unit

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

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

Fiduciary Component Unit

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

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

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

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenues in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust

fund). Complete financial statements can be obtained from the Successor Agency's finance department at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

Non-Disclosed Organizations

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

(2) Summary of Significant Accounting Policies

(a) Government-wide and fund financial statements

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

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

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

The basic financial statements include certain prior year summarized comparative information. This information is presented only to facilitate financial analysis, and is not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended June 30, 2018, from which the summarized information was derived.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 60 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental fund:

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

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

- The ***San Francisco International Airport Fund*** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.
- The ***San Francisco Water Enterprise Fund*** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.
- The ***Hetch Hetchy Water and Power Fund*** accounts for the activities of Hetch Hetchy Water and Power (Hetch Hetchy) and CleanPowerSF. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity. CleanPowerSF aggregates the buying power of customers in San Francisco to purchase renewable energy.
- The ***Municipal Transportation Agency Fund*** accounts for the activities of the Municipal Transportation Agency (SFMTA). The SFMTA was established by Proposition E, passed by the City's voters in November 1999. The SFMTA includes the San Francisco Municipal Railway (Muni) and the operations of Sustainable Streets, which includes the Parking Authority. Muni was established in 1912 and is responsible for the operations of the City's public transportation system. Sustainable Streets is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. Sustainable Streets is a separate department of the SFMTA. The parking garages fund accounts for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.
- The ***General Hospital Medical Center Fund*** accounts for the activities of the San Francisco General Hospital (SFGH), a City-owned acute care hospital.
- The ***San Francisco Wastewater Enterprise Fund*** was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue $240.0 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City's municipal sewage treatment and disposal system.

- The ***Port of San Francisco Fund*** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.
- The ***Laguna Honda Hospital Fund*** accounts for the activities of Laguna Honda Hospital (LHH), the City-owned skilled nursing facility, which specializes in serving elderly and disabled residents.

Additionally, the City reports the following fund types:

- The ***Special Revenue Funds*** are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.
- The ***Debt Service Funds*** account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.
- The ***Capital Projects Funds*** are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.
- The ***Permanent Fund*** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.
- The ***Internal Service Funds*** account for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis. Internal Service Funds account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.
- The ***Pension, Other Employee and Other Postemployment Benefit Trust Funds*** reflect the activities of the Employees' Retirement System (Retirement System), the Health Service System and the Retiree Health Care Trust Fund. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirement benefits, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries. The Retiree Health Care Trust Fund accounts for other postemployment benefit contributions from the City and the San Francisco Community College District, together with the earnings and profits from investments. No disbursements, other than to defray reasonable expenses of administering the trust, will be made until sufficient funds are set aside to pay for all future retiree health care costs, except in certain limited circumstances.
- The ***Investment Trust Fund*** accounts for the external portion of the Treasurer's Office investment pool. The funds of the San Francisco Community College District, San Francisco Unified School District, the Trial Courts of the State of California and the Transbay Joint Powers Authority are accounted for within the Investment Trust Fund.
- The ***Private-Purpose Trust Fund*** accounts for the custodial responsibilities that are assigned to the Successor Agency with the passage of the Redevelopment Dissolution Law.
- The ***Agency Funds*** account for the resources held by the City in a custodial capacity on behalf of: the State of California and other governmental agencies; employees for payroll deductions; and human welfare, community health, and transportation programs.

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

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

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

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

(c) Deposits and Investments

Investment in the Treasurer's Pool

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

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

The San Francisco Unified School District (School District), San Francisco Community College District (Community College District), and the City are involuntary participants in the City's investment pool. As of June 30, 2019, involuntary participants accounted for approximately 96.8% of the pool. Voluntary participants accounted for 3.2% of the pool. Further, the School District, Community College District, the Trial Courts of the State of California, and the Transbay Joint Powers Authority are external participants of the City's pool. At June 30, 2019, $471.7 million was held on behalf of these external participants. The total percentage share of the City's pool that relates to these four external participants is 4.1%. Internal participants accounted for 95.9% of the pool.

Investment Valuation

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

Retirement System – Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Securities that do not have an established market are reported at estimated fair value derived from third-party pricing services. Purchases and sales of investments are recorded on a trade date basis.

The fair values of real estate investments are based on net asset values (NAV) provided by the investment managers. Private equity and private credit investments represent interest in limited partnerships. The fair values of private equity and private credit investments are also based on net asset values provided by the general partners.

The Absolute Return Program invests in limited partnerships and other alternative investment vehicles. The most common investment strategies include, but are not limited to equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, and commodities. These investments are valued using their respective NAV and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are typically valued on a monthly basis by each fund's independent administrator and for certain illiquid investments, where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions which can impede the timely return of capital. The valuation techniques vary based upon investment type but are predominantly derived from observed market prices.

San Francisco International Airport – The Airport has entered into certain derivative instruments, which it values at fair value, in accordance with GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 72 – *Fair Value Measurement and Application*. The Airport applies hedge accounting for changes in the fair value of hedging derivative instruments, in accordance with GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. Under hedge accounting, if the derivatives are determined to be effective hedges, the changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the statement of net position, otherwise changes in fair value are recorded within the investment revenue classification.

Other funds – Non-pooled investments are also generally carried at fair value. However, money market investments (such as short-term, highly liquid debt instruments including commercial paper and bankers' acceptances) that have a remaining maturity at the time of purchase of one year or less and nonparticipating interest-earning investment contracts (such as repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

Investment Income

Income from pooled investments is allocated at month-end to the individual funds or external participants based on the fund or participant's average daily cash balance in relation to total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the General Fund. On a generally accepted accounting principles (GAAP) basis, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental and internal service funds.

It is the City's policy to charge interest at month-end to those funds that have a negative average daily cash balance. In certain instances, City management has determined that the interest expense related to the fund should be allocated to the General Fund. On a budget basis, the interest expense is recorded in the General Fund. On a GAAP basis, the interest expense is recorded in the fund and then a transfer from the General Fund for an amount equal to the interest expense is made to the fund. This is the case for certain other governmental and internal service funds.

Interest income related to certain funds in fiduciary activities that are recorded in the General Fund on a budget basis, are recorded as other income instead of transfer in the GAAP basis. This is the case for certain Agency Funds.

(d) Loans Receivable

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issue loans to qualified applicants. In addition, the Department of Building Inspection manages other receivables from organizations. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2019, it was determined that $1,493.2 million of the $1,677.8 million loan portfolio is not expected to be ultimately collected.

For the purposes of the fund financial statements, the governmental funds expenditures relating to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred inflow of resources. For purposes of the government-wide financial statements, long-term loans are not offset by deferred inflows of resources.

(e) Inventories

Inventories recorded in the proprietary funds primarily consist of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. The governmental fund types use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired.

(f) Capital Assets

Capital assets, which include land, facilities and improvements, machinery and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary and private-purpose trust funds. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than $5 and have an estimated life that extends beyond a single reporting period or more than a year. Intangible assets have a capitalization threshold of $100. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds of tax-exempt debt over the same period. Amortization of assets acquired under capital leases is included in depreciation and amortization.

Facilities and improvements, infrastructure, machinery and equipment, and intangible assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Facilities and improvements	15 to 175
Infrastructure	15 to 70
Machinery and equipment	2 to 75
Intangible assets	Varies with type

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for, and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

(g) Accrued Vacation and Sick Leave Pay

Vacation pay, which may be accumulated up to ten weeks depending on an employee's length of service, is payable upon termination. Sick leave may be accumulated up to six months. Unused amounts accumulated prior to December 6, 1978, are vested and payable upon termination of employment by retirement or disability caused by industrial accident or death.

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

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

In the government-wide financial statements, the proprietary fund type and fiduciary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund or fiduciary fund statement of net position. Bond issuance costs related to prepaid insurance costs, bond premiums and discounts for San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, SFMTA, and San Francisco Wastewater Enterprise are amortized over the life of the bonds using the effective interest method. The remaining bond prepaid insurance costs, bond premiums and discounts are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively. Issuance costs including bond insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Interest accreted on capital appreciation bonds is reported as accrued interest payable in the government-wide, proprietary fund and fiduciary fund financial statements.

(i) Fund Equity

Governmental Fund Balance

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in one of five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The five fund balance classifications are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, such as prepaid amounts, as well as certain long-term receivables that would otherwise be classified as unassigned.
- *Restricted* – includes amounts that can only be used for specific purposes due to constraints imposed by external resource providers, by the City's Charter, or by enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes amounts that can only be used for specific purposes pursuant to an ordinance passed by the Board of Supervisors and signed by the Mayor. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned* – includes amounts that are not classified as nonspendable, restricted, or committed, but are intended to be used by the City for specific purposes. Intent is expressed by legislation or by action of the Board of Supervisors or the City Controller to which legislation has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

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

Encumbrances

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year-end are recorded as part of restricted or assigned fund balance.

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt, including debt related deferred outflows and inflows of resources, that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the City, not restricted for any project or other purpose.

(j) Interfund Transfers

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

- Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.
- Reimbursements for expenditures, initially made by one fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

(k) Refunding of Debt

In governmental and business-type activities and proprietary and fiduciary funds, losses or gains from advance refundings are recorded as deferred outflows of resources and deferred inflows of resources, respectively, and amortized into expense.

(l) Pollution Remediation Obligations

Pollution remediation obligations are measured at their current value using a cost-accumulation approach, based on the pollution remediation outlays expected to be incurred to settle those obligations. Each obligation or obligating event is measured as the sum of probability-weighted amounts in a range of possible estimated amounts. Some estimates of ranges of possible cash flows may be limited to a few discrete scenarios or a single scenario, such as the amount specified in a contract for pollution remediation services.

(m) Cash Flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

(n) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SFERS and the California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

(o) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Trust Fund (RHCTF) and California Employers' Retiree Benefit Trust Fund Program (CERBT) and additions to/deductions from the plans' fiduciary net position has been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

(p) Restricted Assets

Certain proceeds of the City's governmental activities, enterprise and internal service funds bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds, and amounts restricted for future capital projects.

(q) Deferred Outflows and Inflows of Resources

The City records deferred outflows or inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements for consumption or acquisition of net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

In governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. In government-wide financial statements, deferred outflows and inflows of resources are recorded for unamortized losses and gains on refunding of debt, deferred outflows and inflows of resources related to pensions and OPEB, deferred outflows of resources on derivative instruments, and deferred inflows of resources related to the SFMTA's leaseback transaction.

(r) Special Item

Special items are significant transactions or events within the control of management that are either (1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) or (2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates).

In accordance with the Redevelopment Dissolution Law, the Successor Agency transferred South Beach Harbor and related assets and liabilities to the City's Port during the year ended June 30, 2019. This transaction qualifies as a special item since this action was under the control of Port's management and met the criteria of infrequent (see Note 14).

(s) Estimates

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

(t) Correction of an error

The San Francisco Wastewater Enterprise recorded corrections to previously issued 2017-18 financial statements to eliminate recognition of certain capital assets. Net position as of July 1, 2017 has been reduced by $6.8 million. Capital assets not being depreciated have been reduced and expenses have been increased by $28.3 million as of and for the year ended June 30, 2018. As a result, the net position of Business-Type Activities on the Statement of Net Position as of July 1, 2018 has been decreased by $35.1 million from previously reported results.

(3) Reconciliation of Government-wide and Fund Financial Statements

(a) Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

Total fund balances of the City's governmental funds, $5,140,577 differs from net position of governmental activities, $2,901,491 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheet.

	Total Governmental Funds	Long-term Assets, Liabilities [1]	Internal Service Funds [2]	Reclassi-fications and Eliminations	Statement of Net Position Totals
Assets					
Deposits and investments with City Treasury	$ 5,822,938	$ -	$ 25,465	$ -	$ 5,848,403
Deposits and investments outside City Treasury	274,933	-	6,565	-	281,498
Receivables, net					
Property taxes and penalties	109,824	-	-	-	109,824
Other local taxes	394,946	-	-	-	394,946
Federal and state grants and subventions	277,228	-	-	-	277,228
Charges for services	126,201	-	42	-	126,243
Interest and other	46,564	-	416	-	46,980
Due from other funds	19,489	-	-	(19,489)	-
Due from component unit	5,517	-	-	-	5,517
Advance to component unit	6,442	-	-	-	6,442
Loans receivable, net	184,555	-	-	-	184,555
Capital assets, net	-	6,142,974	12,090	-	6,155,064
Other assets	20,185	-	-	-	20,185
Total assets	7,288,822	6,142,974	44,578	(19,489)	13,456,885
Deferred outflows of resources					
Unamortized loss on refunding of debt	-	11,794	973	-	12,767
Deferred outflows related to pensions	-	798,636	15,614	-	814,250
Deferred outflows related to OPEB	-	165,861	3,876	-	169,737
Total deferred outflows of resources	-	976,291	20,463	-	996,754
Liabilities					
Accounts payable	514,537	-	2,344	-	516,881
Accrued payroll	116,691	-	2,250	-	118,941
Accrued vacation and sick leave pay	-	166,384	3,585	-	169,969
Accrued workers' compensation	-	279,771	1,697	-	281,468
Estimated claims payable	-	234,385	-	-	234,385
Accrued interest payable	-	18,152	1,040	-	19,192
Unearned grant and subvention revenues	64,965	-	-	-	64,965
Due to other funds	86,257	-	-	(19,489)	66,768
Unearned revenue and other liabilities	869,137	1,553	34	-	870,724
Bonds, loans, capital leases, and other payables	92,779	3,749,654	134,540	-	3,976,973
Net pension liability	-	2,607,079	49,386	-	2,656,465
Net OPEB liability	-	1,901,529	44,469	-	1,945,998
Total liabilities	1,744,366	8,958,507	239,345	(19,489)	10,922,729
Deferred inflows of resources					
Unavailable revenue	403,879	(403,879)	-	-	-
Unamortized gain on refunding of debt	-	178	356	-	534
Deferred inflows related to pensions	-	439,018	9,382	-	448,400
Deferred inflows related to OPEB	-	176,361	4,124	-	180,485
Total deferred inflows of resources	403,879	211,678	13,862	-	629,419
Fund balances/ net position					
Total fund balances/ net position	$ 5,140,577	$ (2,050,920)	$ (188,166)	$ -	$ 2,901,491

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

Cost of capital assets	$ 8,104,923
Accumulated depreciation	(1,961,949)
	$ 6,142,974

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Accrued vacation and sick leave pay	$ (166,384)
Accrued workers' compensation	(279,771)
Estimated claims payable	(234,385)
Unearned revenue and other liabilities	(1,553)
Bonds, loans, capital leases, and other payables	(3,749,654)
	$(4,431,747)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. $ (18,152)

Deferred outflows (inflows) of resources related to debt refundings in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

Unamortized loss on refunding of debt	$ 11,794
Unamortized gain on refunding of debt	(178)
	$ 11,616

Net pension liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.

Net pension liability	$(2,607,079)
Deferred outflows of resources related to pensions	798,636
Deferred inflows of resources related to pensions	(439,018)
	$(2,247,461)

Net OPEB liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to OPEB are not financial resources, and therefore, are not reported in the governmental funds.

Net OPEB liability	$(1,901,529)
Deferred outflows of resources related to OPEB	165,861
Deferred inflows of resources related to OPEB	(176,361)
	$(1,912,029)

Because the focus of governmental funds is on the availability of resources, some assets will not be available to pay for current period expenditures and thus are not included in fund balance.

Revenue not collected within 60 days of the end of the current fiscal period $ 403,879

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

Net position before adjustments	$ (60,545)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(130,143)
Unearned revenue and other liabilities	2,522
	$ (188,166)

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

The net change in fund balances for governmental funds, $563,342, differs from the change in net position for governmental activities, $1,009,514, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

	Total Governmental Funds	Long-term Revenues/ Expenses (3)	Capital-related Items (4)	Internal Service Funds (5)	Long-term Debt Transactions (6)	Statement of Activities Totals
Revenues						
Property taxes	$ 2,765,473	$ (184,165)	$ -	$ -	$ -	$ 2,581,308
Business taxes	919,552	-	-	-	-	919,552
Sales and use tax	329,296	-	-	-	-	329,296
Hotel room tax	408,348	-	-	-	-	408,348
Utility users tax	93,918	-	-	-	-	93,918
Parking tax	86,020	-	-	-	-	86,020
Real property transfer tax	364,044	-	-	-	-	364,044
Other local taxes	65,371	-	-	-	-	65,371
Licenses, permits and franchises	43,416	(401)	-	-	-	43,015
Fines, forfeitures, and penalties	48,896	1,567	-	-	-	50,463
Interest and investment income	177,832	-	-	518	-	178,350
Rents and concessions	155,346	(187)	-	-	-	155,159
Intergovernmental:						
Federal	442,328	(75,580)	-	-	-	366,748
State	964,916	4,505	-	-	-	969,421
Other	13,630	87,215	-	-	-	100,845
Charges for services	437,540	10,328	-	-	-	447,868
Other	246,010	798	-	665	-	247,473
Total revenues	7,561,936	(155,920)	-	1,183	-	7,407,199
Expenditures/ Expenses						
Current:						
Public protection	1,460,186	19,538	18,459	(1,842)	-	1,496,341
Public works, transportation and commerce	428,378	11,022	(107,683)	-	-	331,717
Human welfare and neighborhood development	1,698,081	9,390	12,954	-	-	1,720,425
Community health	918,330	16,359	25,733	-	-	960,422
Culture and recreation	453,554	6,464	154,054	(19,853)	-	594,219
General administration and finance	346,154	(20,625)	8,394	(3,565)	-	330,358
General City responsibilities	144,808	(620)	9,248	3,471	-	156,907
Debt service:						
Principal retirement	326,416	-	-	-	(326,416)	-
Interest and other fiscal charges	168,839	-	-	4,499	(21,740)	151,598
Bond issuance costs	876	-	-	746	-	1,622
Capital outlay	323,979	-	(323,979)	-	-	-
Total expenditures	6,269,601	41,528	(202,820)	(16,544)	(348,156)	5,743,609
Excess (deficiency) of revenues over (under) expenditures	1,292,335	(197,448)	202,820	17,727	348,156	1,663,590
Other financing sources (uses) / changes in net position						
Net transfers in (out)	(801,413)	-	-	(1,335)	-	(802,748)
Issuance of bonds and loans:						
Face value of bonds issued	72,420	-	-	-	(72,420)	-
Total other financing sources (uses)	(728,993)	-	-	(1,335)	(72,420)	(802,748)
Capital contributions	-	-	148,672	-	-	148,672
Net change for the year	$ 563,342	$ (197,448)	$ 351,492	$ 16,392	$ 275,736	$ 1,009,514

(3) Property taxes are recognized as revenues in the period the amount becomes available. This is the current period amount by which the deferred inflows of resources decreased in the governmental funds. $ (184,165)

Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds. 28,245

$ (155,920)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources. $ (91,936)

Changes to net pension liability and pension related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds. (12,384)

Changes to net OPEB liability and OPEB related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds. 70,780

Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds. (7,988)

$ (41,528)

(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year and the loss on disposal of capital assets.

Capital expenditures	$ 446,785
Depreciation expense	(202,902)
Loss on disposal of capital assets	(1,363)
Capital contributions	148,672
Write off construction of progress	(39,700)
Difference	$ 351,492

(5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. $ 16,392

(6) Repayment of bond principal is reported as expenditures in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in expenses in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders.

Principal payments made	$ 326,416

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Proceeds were received from:

General obligation bonds	$ (72,420)
	$ 253,996

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, notes payable and capital leases, and (2) amortization of bond premiums and refunding losses and gains are not expended within the fund statements.

Decrease in accrued interest	$ 964
Amortization of bond premiums	22,392
Amortization of bond refunding losses and gains	(1,616)
	$ 21,740

(4) EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2019, the City implemented the following accounting standards:

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for asset retirement obligations (AROs.) The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires disclosures of methods and assumptions used. The new standard is effective for periods beginning after June 15, 2018. Application of this statement did not have a significant impact on the City for the year ended June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 establishes a definition of debt for purposes of disclosure, requires that information provided for direct borrowings and direct placements of debt be reported separately from other debt, and requires more extensive disclosures about unused lines of credit, assets pledged as collateral, and terms related to default, termination, and acceleration. The new standard is effective for periods beginning after June 15, 2018. Application of this statement did not have a significant impact on the City for the year ended June 30, 2019. Required disclosures can be found in Note 8.

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

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The new standard is effective for periods beginning after December 15, 2018. Application of this statement is effective for the City's year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease assets, liabilities, and deferred inflows that currently are not reported. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the City's year ending June 30, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and no longer included in the historical cost of capital assets. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the City's year ending June 30, 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. GASB Statement No. 90 establishes standards for reporting a government's majority equity interest in a legally separate organization. The new standard is effective for periods beginning after December 15, 2018. Application of this statement is effective for the City's year ending June 30, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. The new standard is effective for periods beginning after December 15, 2020. Application of this statement is effective for the City's year ending June 30, 2022.

(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

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

	Primary Government			
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Deposits and investments with City Treasury	$ 5,848,403	$ 2,452,211	$ 1,163,443	$ 9,464,057
Deposits and investments outside City Treasury	274,933	14,988	26,437,262	26,727,183
Restricted assets:				
Deposits and investments with City Treasury	-	2,066,933	-	2,066,933
Deposits and investments outside City Treasury	6,565	1,021,214	293,497	1,321,276
Total deposits & investments	$ 6,129,901	$ 5,555,346	$ 27,894,202	$ 39,579,449
Cash and deposits				$ 107,934
Investments				39,471,515
Total deposits and investments				$ 39,579,449

(b) Investment Policies

Treasurer's Pool

The City's investment policy addresses the Treasurer's safekeeping and custody practices with financial institutions in which the City deposits funds, types of permitted investment instruments, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The objectives of the policy, in order of priority, are safety, liquidity, and earning a market rate of return on public funds. The City has established a Treasury Oversight Committee (Oversight Committee) as defined in the City Administrative Code section 10.80-3, comprised of various City officials, representatives of agencies with large cash balances, and members of the public, to monitor and review the management of public funds maintained in the investment pool in accordance with Sections 27130 to 27137 of the California Government Code. The Treasurer prepares and submits an investment report to the Mayor, the Board of Supervisors, members of the Oversight Committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

The investment policy places maturity limits based on the type of security. Investments held by the Treasurer during the year did not include repurchase agreements or reverse repurchase agreements. The table below identifies the investment types that are authorized by the City's investment policy dated February 2018.

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portolio	Maximum Investment in One Issuer
U.S. Treasuries	5 years	100%	100%
Federal Agencies	5 years	100%	100%
State and Local Government Agency Obligations	5 years	20% *	5% *
Public Time Deposits	13 months *	None	None
Negotiable Certificates of Deposit/Yankee Certificates of Deposit	5 years	30%	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25% *	10%
Medium Term Notes	24 months *	25% *	10% *
Repurchase Agreements (Government Securities)	1 year	None	None
Repurchase Agreements (Securities permitted by CA Government Code, Sections 53601 and 53635)	1 year	10%	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	$75 million *
Money Market (Institutional Government Funds)	N/A	20%	N/A
Supranationals	5 years	30%	None
State of California Local Agency Investment Fund (LAIF)	N/A	Statutory	None

* Represents restriction on which the City's investment policy is more restrictive than the California Government Code.

The Treasurer also holds for safekeeping bequests, trust funds, and lease deposits for other City departments. The bequests and trust funds consist of stocks and debentures. Those instruments are valued at par, cost, or fair value at the time of donation.

Other Funds

Other funds consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These funds are invested either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with grant agreements and may be restricted for the issuance of loans.

Employees' Retirement System

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

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

The investment policy permits investments in domestic and international debt and equity securities, securities lending, foreign currency contracts, derivative instruments, private equity, real assets, private credit, and absolute return investments, which include investments in a variety of commingled partnership vehicles. The Retirement Board's asset allocation policies for the year ended June 30, 2019, are as follows:

Asset Class	Target Allocation since September 2017
Global Equity	31.0%
Treasuries	6.0%
Liquid Credit	3.0%
Private Credit	10.0%
Private Equity	18.0%
Real Assets	17.0%
Hedge Funds/Absolute Return	15.0%
	100.0%

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines. The Retirement System maintains its operating fund cash in the Treasurer's Pool.

Retiree Health Care Trust Fund (RHCTF)

The RHCTF maintains cash in the Treasurer's Pool. The RHCTF's investments outside of the City Treasury are invested pursuant to investment policy guidelines as established by the RHCTF Board. The objective of the policy is to manage fund assets so as to achieve the highest, reasonably prudent real return possible. The RHCTF allocates its investments among numerous investment managers and in accordance with the investment policy approved by the RHCTF Board. The RHCTF Board has established percentage guidelines for types of investments to ensure the portfolio is diversified, as follows:

Asset Class	Target Allocation since November 2017
Equities	
U.S. Equity	41.0%
Developed Market Equity (Non-U.S.)	20.0%
Emerging Market Equity	16.0%
Credit	
High Yield Bonds	3.0%
Bank Loans	3.0%
Emerging Market Bonds	3.0%
Rate Securities	
Treasury Inflation-Protected Securities (TIPS)	5.0%
Investment Grade Bonds	9.0%
	100.0%

(c) Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using Level 3 inputs). The inputs or methodology used for valuing securities are not an indication of risk associated with investing in those securities.

The following is a summary of inputs used in valuing the City's investments as of June 30, 2019:

		Fair Value Measurements Using		
	Fair Value 6/30/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Primary Government:				
Investments in City Treasury:				
U.S. Treasury Notes	$ 724,319	$ 724,319	$ -	$ -
U.S. Agencies - Discount	39,853	-	39,853	-
U.S. Agencies - Coupon (no call option)	3,109,313	-	3,109,313	-
U.S. Agencies (callable option)	2,667,648	-	2,667,648	-
State and Local Agencies	110,128	-	110,128	-
Negotiable Certificates of Deposits	2,019,433	-	2,019,433	-
Corporate Notes	34,715	-	34,715	-
Supranationals	861,573	-	861,573	-
Commercial Paper	1,065,640	-	1,065,640	-
Public Time Deposits	35,000 *	-	-	-
Money Market Mutual Funds	945,918 *	-	-	-
Subtotal Investments in City Treasury	11,613,540	$ 724,319	$ 9,908,303	$ -
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	564,757	$ 564,757	$ -	$ -
U.S. Agencies	187,753	-	187,753	-
State and Local Agencies	1,372	-	1,372	-
Corporate Notes	4,065	-	4,065	-
Supranationals	6,474	-	6,474	-
Commercial Paper	10,791	-	10,791	-
Negotiable Certificates of Deposit	7,934	-	7,934	-
Commercial Paper	75,235 *	-	-	-
Money Market Mutual Funds	624,468 *	-	-	-
Certificates of Deposit	273 *	-	-	-
Subtotal Investments Outside City Treasury	1,483,122	$ 564,757	$ 218,389	$ -

* Not subject to fair value hierarchy

	Fair Value 6/30/2019	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Employees' Retirement System Investments				
Short-Term Investments	479,220	$ 29	$ 3,948	$ 475,243
Debt Securities:				
U.S. Government and Agency Securities	1,461,178	1,408,872	52,306	-
Other Debt Securities	935,020	156	832,051	102,813
Equity Securities:				
Domestic Equity	3,690,322	3,510,704	7,783	171,835
International Equity	2,355,081	2,351,998	3,074	9
Foreign Currency Contracts, net	96	-	-	96
Subtotal	8,920,917	$ 7,271,759	$ 899,162	$ 749,996
Investments measured at the net asset value (NAV)				
Short-Term Investments	656			
Fixed Income invested in:				
Other Debt Securities	386,917			
Equity Funds invested in:				
Domestic	1,895,455			
International	514,724			
Real Assets	4,334,229			
Private Credit	758,662			
Private Equity	5,604,023			
Absolute Return	3,574,622			
Total investments measured at the NAV	17,069,288			
Subtotal investments in Employees' Retirement System	25,990,205			
Retiree Health Care Trust Investments measured at the NAV				
Short-Term Investments	1,085			
Fixed Income:				
U.S. Debt Index Fund	86,210			
Equities:				
Domestic:				
S&P 500 Equity Index Fund	156,687			
International:				
EAFE Equity Index Fund	140,666			
Subtotal investments in Retiree Health Care Trust	384,648			
Total Investments	**$39,471,515**			

Investments Held in City Treasury

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

U.S. Agencies, State and Local Agencies, Negotiable Certificates of Deposit, Corporate Notes, Commercial Paper and Supranationals are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2 of the fair value hierarchy.

Money Market Funds have maturities of one year or less from fiscal year-end and are not subject to GASB Statement No. 72. Public Time Deposits are measured at cost.

Investments Held Outside City Treasury

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy. U.S. Agencies, State and Local Agencies, Corporate Notes, Supranationals, certain Commercial Paper and Negotiable Certificates of Deposit are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2. Certain Commercial Paper, Money Market Funds, and Certificates of Deposit are not subject to the fair value hierarchy.

Employees' Retirement System Investments

Investments at Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In some cases, a valuation technique may have multiple inputs used to measure fair value, and each input might fall into a different level of the fair value hierarchy. The level in the fair value hierarchy within which a fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement. The prices used in determining the fair value hierarchy are obtained from various pricing sources by the Retirement System's custodian bank.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Debt securities including short-term instruments are priced based on evaluated prices. Such evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities. For equity securities not traded on an active exchange, or if the closing price is not available, corroborated indicative quotes obtained from pricing vendors are generally used. Debt and equity securities classified in Level 3 of the fair value hierarchy are securities whose stated market prices are unobservable by the market place. Many of these securities are priced using uncorroborated indicative quotes, adjusted prices based on inputs from different sources, or evaluated prices using unobservable inputs, such as extrapolated data, proprietary models, and indicative quotes from pricing vendors.

Investments at Net Asset Value (NAV)

The equity and debt funds are commingled funds that are priced at net asset value by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. The NAV of an open-end fund is its price.

The fair value of the Retirement System's investments in real assets, private credit, private equity, and absolute return investments are based on net asset values provided by the investment managers and general partners (hereinafter collectively referred to as the "General Partners"). Such value generally represents the Retirement System's proportionate share of the net assets of the limited partnerships. The partnership financial statements are audited annually as of December 31 and the net asset values are adjusted by additional contributions to and distributions from the partnership, the Retirement System's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partners.

The General Partners may use one or more valuation methodologies outlined in FASB ASC 820, *Fair Value Measurement*. For some investments, little market activity may exist. The General Partners' determination of fair value is then based on the best information available in the circumstances and

may involve subjective assumptions and estimates, including the General Partners' assessment of the information that market participants would use in valuing the investments. The General Partners may take into consideration a combination of internal and external factors, including but not limited to, appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

The values provided by the General Partners may differ significantly from the values that would have been used had a ready market existed for these investments.

Private credit investments are held in commingled funds. These investments are mostly illiquid with distributions received over the life of the investments. They are typically not redeemed, nor do they have set redemption schedules. There are ten public equity investments held in commingled funds valued at net asset value. Two investments, valued at $1.5 million, are currently being liquidated with proceeds expected over the next 2-4 years. The remaining investments may be subject to varying lock-up provisions and redemption schedules. The real asset holdings are illiquid. Distributions are received over the life of the investments, which could equal or exceed ten years. They are not redeemed, nor do they have set redemption schedules. Private equity investment strategies include buyout, venture capital, growth capital, and special situations. Investments in the asset class are achieved primarily through commingled fund and separate account partnerships but may also include direct and co-investment opportunities. Private equity investments are illiquid and distributions are received over the life of the investments, which could equal or exceed ten years. These investments are not typically redeemed, nor do they have set redemption schedules.

Absolute return investment strategies include equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, and commodities. Investments are achieved through limited partnerships. The table below provides a summary of the terms and conditions upon which the Retirement System may redeem its absolute return investments. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions that differ from the standard terms and conditions summarized here, which can impede the return of capital according to those terms and conditions.

Absolute Return Investments Measured at NAV as of June 30, 2019

% of NAV	Redemption Frequency	Redemption Notice Period
51%	Monthly	95 Days
47%	Quarterly	45-180 Days
2%	Semi-annually	60-65 Days
100%		

% of NAV in Lock Up	As of Fiscal Year End
5%	2019-2020
10%	2020-2021
9%	2021-2022

Retiree Health Care Trust Fund

Investments at Net Asset Value (NAV)

At June 30, 2019, the Retiree Health Care Trust Fund had cash and investments in the City Treasury pool, commingled funds, mutual funds, feeder funds, and money market funds. The funds are priced at net asset value (NAV) by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. As of June 30, 2019, one debt security investment valued at $22.4 million has quarter-end redemptions with a 90 day advance written notice requirement. In addition, one international equity investment valued at $60.8 million has weekly redemptions with a three-day advance notification requirement. Both investments have 5% holdbacks for a full liquidation. There are no redemption restrictions for the remaining commingled funds.

(d) Investment Risks

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units not covered by Federal Deposit Insurance Corporation insurance by pledging government securities as collateral. The market value of pledged securities must equal at least 110.0% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i) of the City's deposits. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name. As of June 30, 2019, $1.7 million of the business-type activities bank balances were exposed to custodial credit risk by not being insured or collateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. Information about the sensitivity to the fair values of the City's investments to interest rate fluctuations is provided by the following tables, which shows the distribution of the City's investments by maturity. The Retirement System's and Retiree Health Care Trust Fund's interest rate risk information is discussed in sections (f) and (g), respectively, of this note.

	S & P Rating	Fair Value	Investment Maturities: Less than 1 year	Investment Maturities: 1 to 5 years
Primary Government:				
Investments in City Treasury:				
U.S. Treasury Notes	AA+	$ 724,319	$ 374,098	$ 350,221
U.S. Agencies	NR - AA+	5,816,814	1,675,611	4,141,203
Negotiable Certificates of Deposit	A-1 - A-1+	2,019,433	2,019,433	-
Money Market Mutual Funds	AAAm	945,918	945,918	-
Public time deposits	NR	35,000	35,000	-
State and Local Agencies	AA- - AA+	110,128	46,979	63,149
Supranationals	AAA	861,573	302,688	558,885
Corporate notes	A-1+ ,AA-	34,715	29,647	5,068
Commercial Paper	A-1-A-1+	1,065,640	1,065,640	-
Less: Employees' Retirement System				
Investments with City Treasury	n/a	(31,264)	-	(31,264)
Less: Retiree Health Care Trust				
Investments with City Treasury	n/a	(2,508)	-	(2,508)
Subtotal pooled investments		11,579,768	$ 6,495,014	$ 5,084,754
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	AA+	$ 564,757	$ 121,507	$ 443,250
U.S. Agencies - Coupon	AA+	187,753	52,050	135,703
State and Local Agencies	AA, AA-	1,372	-	1,372
Supranationals	AAA	6,474	-	6,474
Corporate notes	AA+-AA-,AAA,A, AA	4,065	3,059	1,006
Money Market Mutual Funds	A-1, AAAm	523,943	523,943	-
U.S. Treasury Money Market Funds	AAAm	100,525	100,525	-
Commercial Paper	A-1+,A-1,AAAm	86,026	86,026	-
Negotiable Certificates of Deposit	NR,A-1 ,A+,AA-	8,207	7,031	1,176
Subtotal investments outside City Treasury		1,483,122	$ 894,141	$ 588,981
Retiree Health Care Trust Investments		387,156		
Employees' Retirement System investments		26,021,469		
Total Primary Government		$ 39,471,515		

As of June 30, 2019, the investments in the City Treasury had a weighted average maturity of 466 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to pay the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Standard & Poor's rating for each of the investment types are shown in the table above.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name. The governmental and business-type activities also have investments with trustees related to the issuance of bonds that are uninsured, unregistered and held by the counterparty's trust departments but not in the City's name. These amounts are included in the investments outside City Treasury shown in the table above.

Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. government are not subject to single issuer limitation.

As of June 30, 2019, the City Treasurer has investments in U.S. Agencies that represent 5.0% or more of the total Pool in the following:

Federal Home Loan Mortgage Corporation 19.0%
Federal Farm Credit Bank 13.9%
Federal Home Loan Bank 11.5%

In addition, the following major fund holds investments with trustees that represent 5.0% or more of the funds' investments outside City Treasury as of June 30, 2019:

Airport:
Federal National Mortgage Association 8.84%
Federal Home Loan Bank 8.08%
Federal Home Loan Mortgage Corporation 5.41%

(e) Treasurer's Pool

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of and for the year ended June 30, 2019:

Statement of Net Position	
Net position held in trust for all pool participants	$11,530,990
Equity of internal pool participants	$11,054,920
Equity of external pool participants	476,070
Total equity	$11,530,990
Statement of Changes in Net Position	
Net position at July 1, 2018	$10,514,604
Net change in investments by pool participants	1,016,386
Net position at June 30, 2019	$11,530,990

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2019:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
U.S. Treasuries	1.43% - 2.67%	10/15/19 - 06/30/22	$ 725,000	$ 724,319
U.S. Agencies	1.10% - 3.11%	07/01/19 - 05/20/24	5,802,795	5,816,814
State and local agencies	1.38% - 2.80%	07/01/19 - 05/15/21	109,737	110,128
Public time deposits	2.23% - 2.55%	09/26/19 - 12/23/19	35,000	35,000
Negotiable certificates of deposit	2.35% - 3.12%	07/01/19 - 04/13/20	2,015,000	2,019,433
Commercial paper	2.32% - 2.97%	07/01/19 - 10/28/19	1,068,000	1,065,640
Corporate notes	2.25% - 3.08%	11/01/19 - 01/08/21	34,650	34,715
Money market mutual funds	2.25% - 2.30%	07/01/19 - 07/01/19	945,918	945,918
Supranationals	1.56% - 3.93%	07/26/19 - 06/28/24	861,151	861,573
			$11,597,251	11,613,540
Carrying amount of deposits with Treasurer				(82,550)
Total cash and investments with Treasurer				$ 11,530,990

(f) Retirement System's Investments

The Retirement System's investments as of June 30, 2019, are summarized as follows:

Fixed Income Investments:	
Short-Term investments	$ 479,876
Investments in City Treasury	31,264
Debt securities:	
U.S. Government and agencies	1,461,178
Other debt securities	1,321,937
Subtotal debt securities	2,783,115
Total fixed income investments	3,294,255
Equity securities:	
Domestic	5,585,777
International	2,869,805
Total equity securities	8,455,582
Real assets	4,334,229
Private credit	758,662
Private equity	5,604,023
Absolute return	3,574,622
Foreign currency contracts, net	96
Total Retirement System Investments	$ 26,021,469

Interest Rate Risk

The Retirement System does not have a specific policy to manage interest rate risk. Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2019:

		Maturities			
Investment Type	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Asset-Backed Securities	$ 34,358	$ -	$ 9,360	$ 1,600	$ 23,398
Bank Loans	102,116	-	49,484	52,632	-
City Investment Pool	31,264	17,485	13,779	-	-
Commercial Mortgage-Backed	104,576	444	1,289	2,646	100,197
Commingled and Other Fixed Income Funds	391,318	6,136	-	185,119	200,063
Corporate Bonds	304,192	10,268	123,034	131,798	39,092
Corporate Convertible Bonds	229,370	3,882	145,410	64,476	15,602
Government Bonds	1,523,421	47,949	903,873	507,285	64,314
Government Mortgage-Backed Securities	40,154	-	-	4,554	35,600
Municipal/Provincial Bonds	3,580	-	-	124	3,456
Non-Government Backed Collateralized Mortgage Obligations	33,938	-	659	1,792	31,487
Options	(32)	(3)	(29)	-	-
Short-Term Investment Funds	492,830	492,830	-	-	-
Swaps	3,170	424	1,599	1,109	38
Total	$ 3,294,255	$ 579,415	$ 1,248,458	$ 953,135	$ 513,247

Credit Risk

Fixed income investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Fixed income investment managers typically are limited within their portfolios to no more than 5.0% exposure in any single security, with the exception of United States Treasury and government agency securities. The Retirement System's credit risk policy is embedded in the individual investment manager agreements as prescribed and approved by the Retirement Board.

Investments are classified and rated using the lower of (1) Standard & Poor's (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2019. Investments issued or explicitly guaranteed by the U.S. government of $1.42 billion as of June 30, 2019, are exempt from credit rating disclosures and are excluded from the table below.

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	$ 37,988	2.0%
AA	49,415	2.6%
A	68,250	3.6%
BBB	192,051	10.2%
BB	135,911	7.2%
B	189,274	10.1%
CCC	30,643	1.6%
CC	65	0.0%
D	5,438	0.3%
Not Rated	1,165,658	62.4%
Total	$ 1,874,693	100.0%

The securities listed as "Not Rated" include short-term investment funds, government mortgage backed securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these investments, the "Not Rated" component of credit would be approximately 8.0% for 2019.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement System's investment in a single issuer. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit. As of June 30, 2019, the Retirement System had no investments of a single issuer that equaled or exceeded 5.0% of total Retirement System's investments or net position.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government may not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2019, $126.0 million of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System and were held by the counterparty's trust department or agent but not in the Retirement System's name.

Foreign Currency Risk

The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated cash, equity, fixed income, private equity investments, real assets, and private credit. The Retirement System's investment policy allows international managers to enter into foreign exchange contracts, which are limited to hedging currency exposure existing in the portfolio.

The Retirement System's net exposures to foreign currency risk as of June 30, 2019, are as follows:

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Private Credit	Foreign Currency Contracts	Total
Argentina peso	$ -	$ -	$ 1,452	$ -	$ -	$ -	$ 578	$ 2,030
Australian dollar	-	36,373	(150)	1,803	-	-	68,768	106,794
Brazil real	-	17,584	12,401	-	-	-	2,707	32,692
Canadian dollar	-	24,015	-	-	-	-	51,145	75,160
Chilean peso	-	-	594	-	-	-	657	1,251
Chinese yuan renminbi	28,678	240,203	103	-	-	-	-	268,984
Colombian peso	-	-	6,008	-	-	-	4,287	10,295
Czech koruna	-	1,076	3,105	-	-	-	2,874	7,055
Danish krone	-	28,719	-	-	-	-	(3,628)	25,091
Dominican rep peso	-	-	1,484	-	-	-	-	1,484
Egyptian pound	-	-	-	-	-	-	5,339	5,339
Euro	-	413,076	40,484	118,202	293,032	38,431	(61,969)	841,256
Hong Kong dollar	-	86,355	-	-	-	-	634	86,989
Hungarian forint	-	2,064	13,622	-	-	-	(7,755)	7,931
Indonesian rupiah	-	3,120	12,184	-	-	-	1,788	17,092
Israeli shekel	-	3,917	195	-	-	-	2,941	7,053
Japanese yen	-	192,284	(44)	-	68,707	-	(7,026)	253,921
Kazakhstan tenge	-	-	277	-	-	-	1,027	1,304
Malaysian ringgit	-	1,469	7,233	-	-	-	307	9,009
Mexican peso	-	3,690	1,234	-	-	-	10,447	15,371
New Taiwan dollar	-	33,197	-	-	-	-	(2,710)	30,487
New Zealand dollar	-	463	-	-	-	-	41,041	41,504
Nigerian naira	3,948	-	-	-	-	-	1,623	5,571
Norwegian krone	-	2,450	-	-	-	-	(13,257)	(10,807)
Peruvian sol	-	-	15,327	-	-	-	(6,675)	8,652
Philippines peso	-	1,386	486	-	-	-	1,243	3,115
Polish zloty	-	-	16,035	-	-	-	(176)	15,859
Pound sterling	-	226,476	1,626	28,754	16,709	-	2,560	276,125
Romanian leu	-	-	1,186	-	-	-	(1,930)	(744)
New Russian ruble	-	-	12,454	-	-	-	(55)	12,399
Singapore dollar	-	6,305	-	-	-	-	2,560	8,865
South African rand	-	10,853	14,706	-	-	-	(3,013)	22,546
South Korean won	-	26,457	-	-	-	-	(1,380)	25,077
Swedish krona	-	26,736	(168)	-	-	-	(17,911)	8,657
Swiss franc	-	104,114	(14)	-	-	-	(89,647)	14,453
Thailand baht	-	3,358	2,858	-	-	-	8,982	15,198
Turkish lira	-	2,986	5,292	-	-	-	(2,413)	5,865
Ukraine hryvana	-	-	234	-	-	-	443	677
Uruguayan peso	-	-	332	-	-	-	-	332
Total	$ 32,626	$ 1,498,726	$ 170,536	$ 148,759	$ 378,448	$ 38,431	$ (7,594)	$ 2,259,932

Derivative Instruments

As of June 30, 2019, the derivative instruments held by the Retirement System are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The fair value of the exchange traded derivative instruments, such as futures, options, rights and warrants are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by the Retirement System's investment managers based on quoted market prices of the underlying investment instruments.

The table below presents the notional amounts, the fair value amounts, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2019:

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	$ 891,781	$ 96	$ 1,253
Futures			
Currency Futures Long	3,062	29	69
Equity Index Futures Long	214,700	3,073	6,897
Equity Index Futures Short	(43,024)	(410)	(854)
Treasury Futures Long	44,484	155	(236)
Options			
Foreign Exchange Contracts	(4,400)	(32)	110
Swaps			
Credit Contracts	7,867	(22)	64
Currency Contracts	2,031	(67)	(64)
Equity Index Contracts	120	(31)	1,530
Total Return Contracts	31,138	-	220
Interest Rate Contracts	314,416	3,257	2,548
Rights/Warrants			
Equity Contracts	51,613 shares	102,031	6,055
Total		$ 108,079	$ 17,592

All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. Rights and warrants are reported in equity securities. Foreign exchange contracts are reported in foreign currency contracts, which also include spot contracts that are not derivatives. All other derivative contracts are reported in other debt securities. All changes in fair value are reported as net appreciation (depreciation) in fair value of investments in the statement of changes in fiduciary net position.

Counterparty Credit Risk

The Retirement System is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. As of June 30, 2019, the fair value of forward currency contracts in asset positions (including foreign exchange contract options) to purchase and sell international currencies were $1.5 million and $1.4 million, respectively. The Retirement System's counterparties to these contracts held credit ratings of A or better on 41.0% and credit ratings of B on 59.0% of the positions as assigned by one or more of the major credit rating organizations (S&P and/or Moody's).

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2019, all of the Retirement System's investments in derivative instruments are held in the Retirement System's name and are not exposed to custodial credit risk.

Interest Rate Risk

The table below describes the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2019.

		Maturities			
Derivative Type / Contracts	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Forwards					
Foreign Exchange Contracts	$ 96	$ 168	$ (72)	$ -	$ -
Options					
Foreign Exchange Contracts	(32)	(3)	(29)	-	-
Swaps					
Credit Contracts	(22)	(30)	8	-	-
Currency Contracts	(67)	-	(60)	(7)	-
Interest Rate Contracts	3,257	454	1,650	1,115	38
Total	$ 3,232	$ 589	$ 1,497	$ 1,108	$ 38

The following table details the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2019:

Investment Type	**Reference Rate**	**Notional Value**	**Fair Value**
Interest Rate Swap	Receive Fixed 1.04%, Pay Variable 3-Month TELBOR	$ 3,084	$ 42
Interest Rate Swap	Receive Fixed 1.05%, Pay Variable 3-Month TELBOR	2,832	42
Interest Rate Swap	Receive Fixed 1.50%, Pay Variable 6-Month BUBOR	439	7
Interest Rate Swap	Receive Fixed 1.78%, Pay Variable 6-Month PRIBOR	1,088	4
Interest Rate Swap	Receive Fixed 1.81%, Pay Variable 3-Month TELBOR	1,486	76
Interest Rate Swap	Receive Fixed 1.83%, Pay Variable 6-Month THB	717	2
Interest Rate Swap	Receive Fixed 1.83%, Pay Variable 6-Month WIBOR	134	-
Interest Rate Swap	Receive Fixed 1.90%, Pay Variable 3-Month TELBOR	897	51
Interest Rate Swap	Receive Fixed 1.92%, Pay Variable 6-Month THB	505	6
Interest Rate Swap	Receive Fixed 1.93%, Pay Variable 6-Month THB	344	2
Interest Rate Swap	Receive Fixed 1.93%, Pay Variable 6-Month THB	101	1
Interest Rate Swap	Receive Fixed 1.94%, Pay Variable 6-Month THB	489	6
Interest Rate Swap	Receive Fixed 1.94%, Pay Variable 6-Month WIBOR	2,360	10
Interest Rate Swap	Receive Fixed 1.95%, Pay Variable 6-Month THB	675	4
Interest Rate Swap	Receive Fixed 2.00%, Pay Variable 6-Month WIBOR	644	2
Interest Rate Swap	Receive Fixed 2.01%, Pay Variable 6-Month THB	1,164	16
Interest Rate Swap	Receive Fixed 2.02%, Pay Variable 6-Month THB	652	4
Interest Rate Swap	Receive Fixed 2.04%, Pay Variable 6-Month THB	515	8
Interest Rate Swap	Receive Fixed 2.12%, Pay Variable 6-Month THB	1,138	16
Interest Rate Swap	Receive Fixed 2.18%, Pay Variable 6-Month THB	82	2
Interest Rate Swap	Receive Fixed 2.19%, Pay Variable 6-Month THB	228	2
Interest Rate Swap	Receive Fixed 2.19%, Pay Variable 6-Month THB	610	17
Interest Rate Swap	Receive Fixed 2.22%, Pay Variable 6-Month THB	457	4
Interest Rate Swap	Receive Fixed 2.25%, Pay Variable 6-Month PRIBOR	1,535	36
Interest Rate Swap	Receive Fixed 2.25%, Pay Variable 6-Month PRIBOR	5,228	28
Interest Rate Swap	Receive Fixed 2.39%, Pay Variable 6-Month THB	624	29
Interest Rate Swap	Receive Fixed 2.42%, Pay Variable 6-Month THB	624	30
Interest Rate Swap	Receive Fixed 2.51%, Pay Variable 6-Month THB	355	15
Interest Rate Swap	Receive Fixed 2.56%, Pay Variable 6-Month THB	763	42
Interest Rate Swap	Receive Fixed 2.58%, Pay Variable 6-Month THB	248	12
Interest Rate Swap	Receive Fixed 2.58%, Pay Variable 6-Month THB	179	9
Interest Rate Swap	Receive Fixed 2.63%, Pay Variable 6-Month THB	714	37
Interest Rate Swap	Receive Fixed 2.78%, Pay Variable 6-Month THB	30	2
Interest Rate Swap	Receive Fixed 2.81%, Pay Variable 6-Month THB	600	38
Interest Rate Swap	Receive Fixed 3.27%, Pay Variable 6-Month CLP	287	5
Interest Rate Swap	Receive Fixed 3.27%, Pay Variable 6-Month CLP	382	(1)
Interest Rate Swap	Receive Fixed 3.33%, Pay Variable 3-Month KLIBOR	436	-
Interest Rate Swap	Receive Fixed 3.54%, Pay Variable 6-Month CLP	730	25
Interest Rate Swap	Receive Fixed 3.76%, Pay Variable 6-Month CLP	1,822	76
Interest Rate Swap	Receive Fixed 3.77%, Pay Variable 6-Month CLP	1,801	89

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 4.26%, Pay Variable 1-Day COOVIBR	$ 770	$ 1
Interest Rate Swap	Receive Fixed 4.58%, Pay Variable 1-Day COOVIBR	604	1
Interest Rate Swap	Receive Fixed 4.61%, Pay Variable 1-Day COOVIBR	655	1
Interest Rate Swap	Receive Fixed 5.12%, Pay Variable 1-Day COOVIBR	496	12
Interest Rate Swap	Receive Fixed 5.17%, Pay Variable 1-Day COOVIBR	3,175	87
Interest Rate Swap	Receive Fixed 5.63%, Pay Variable 28-Day MXIBR	161	(6)
Interest Rate Swap	Receive Fixed 5.88%, Pay Variable 1-Day COOVIBR	970	48
Interest Rate Swap	Receive Fixed 6.12%, Pay Variable 1-Day COOVIBR	102	7
Interest Rate Swap	Receive Fixed 6.20%, Pay Variable 1-Day COOVIBR	94	7
Interest Rate Swap	Receive Fixed 6.26%, Pay Variable 1-Day BIDOR	1,305	1
Interest Rate Swap	Receive Fixed 6.41%, Pay Variable 1-Day COOVIBR	521	48
Interest Rate Swap	Receive Fixed 6.43%, Pay Variable 1-Day COOVIBR	30	(3)
Interest Rate Swap	Receive Fixed 6.71%, Pay Variable 28-Day MXIBR	682	(44)
Interest Rate Swap	Receive Fixed 6.80%, Pay Variable 28-Day MXIBR	125	(2)
Interest Rate Swap	Receive Fixed 6.89%, Pay Variable 1-Day BIDOR	3,027	43
Interest Rate Swap	Receive Fixed 7.05%, Pay Variable 1-Day BIDOR	2,087	35
Interest Rate Swap	Receive Fixed 7.10%, Pay Variable 1-Day BIDOR	2,922	53
Interest Rate Swap	Receive Fixed 7.18%, Pay Variable 1-Day BIDOR	1,800	36
Interest Rate Swap	Receive Fixed 7.19%, Pay Variable 1-Day BIDOR	704	14
Interest Rate Swap	Receive Fixed 7.22%, Pay Variable 1-Day BIDOR	1,383	27
Interest Rate Swap	Receive Fixed 7.25%, Pay Variable 3-Month JIBAR	525	6
Interest Rate Swap	Receive Fixed 7.38%, Pay Variable 28-Day MXIBR	822	(1)
Interest Rate Swap	Receive Fixed 7.42%, Pay Variable 1-Day BIDOR	2,792	71
Interest Rate Swap	Receive Fixed 7.48%, Pay Variable 1-Day BIDOR	2,061	41
Interest Rate Swap	Receive Fixed 7.65%, Pay Variable 28-Day MXIBR	2,983	36
Interest Rate Swap	Receive Fixed 7.68%, Pay Variable 28-Day MXIBR	203	2
Interest Rate Swap	Receive Fixed 7.80%, Pay Variable 1-Day BIDOR	1,696	43
Interest Rate Swap	Receive Fixed 7.83%, Pay Variable 1-Day BIDOR	3,731	123
Interest Rate Swap	Receive Fixed 7.88%, Pay Variable 28-Day MXIBR	88	2
Interest Rate Swap	Receive Fixed 7.89%, Pay Variable 28-Day MXIBR	1,301	3
Interest Rate Swap	Receive Fixed 7.92%, Pay Variable 28-Day MXIBR	2,061	52
Interest Rate Swap	Receive Fixed 7.98%, Pay Variable 28-Day MXIBR	2,759	89
Interest Rate Swap	Receive Fixed 7.99%, Pay Variable 28-Day MXIBR	385	13
Interest Rate Swap	Receive Fixed 8.04%, Pay Variable 28-Day MXIBR	2,129	44
Interest Rate Swap	Receive Fixed 8.28%, Pay Variable 28-Day MXIBR	203	9
Interest Rate Swap	Receive Fixed 8.31%, Pay Variable 28-Day MXIBR	83	4
Interest Rate Swap	Receive Fixed 8.32%, Pay Variable 28-Day MXIBR	422	23
Interest Rate Swap	Receive Fixed 8.39%, Pay Variable 28-Day MXIBR	1,645	99
Interest Rate Swap	Receive Fixed 8.64%, Pay Variable 1-Day BIDOR	157	10
Interest Rate Swap	Receive Fixed 8.82%, Pay Variable 28-Day MXIBR	4,482	264
Interest Rate Swap	Receive Fixed 8.98%, Pay Variable 28-Day MXIBR	521	34
Interest Rate Swap	Receive Fixed 9.65%, Pay Variable 1-Day BIDOR	626	77
Interest Rate Swap	Receive Fixed 9.76%, Pay Variable 1-Day BIDOR	26	3

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 10.30%, Pay Variable 1-Day BIDOR	$ 391	$ 58
Interest Rate Swap	Receive Fixed 10.30%, Pay Variable 1-Day BIDOR	130	17
Interest Rate Swap	Receive Fixed 10.33%, Pay Variable 1-Day BIDOR	2,166	319
Interest Rate Swap	Receive Fixed 11.33%, Pay Variable 1-Day BIDOR	2,270	416
Interest Rate Swap	Receive Fixed 11.38%, Pay Variable 1-Day BIDOR	6,340	580
Interest Rate Swap	Receive Fixed 12.06%, Pay Variable 1-Day BIDOR	728	98
Interest Rate Swap	Receive Fixed 12.20%, Pay Variable 1-Day BIDOR	1,354	202
Interest Rate Swap	Receive Fixed 12.29%, Pay Variable 1-Day BIDOR	183	38
Interest Rate Swap	Receive Fixed 16.40%, Pay Variable 1-Day BIDOR	3,131	859
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 11.35%	1,226	(166)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 6.25%	24,944	(28)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 6.41%	59,463	-
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 6.93%	1,644	(24)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 6.93%	965	(14)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 6.98%	3,757	(63)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 7.26%	2,714	(55)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 7.29%	4,331	(90)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 8.79%	1,200	(66)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 9.60%	1,070	(123)
Interest Rate Swap	Receive Variable 1-Day COOVIBR, Pay Fixed 4.88%	1,580	(23)
Interest Rate Swap	Receive Variable 1-Day COOVIBR, Pay Fixed 4.88%	420	(6)
Interest Rate Swap	Receive Variable 1-Day COOVIBR, Pay Fixed 5.28%	432	14
Interest Rate Swap	Receive Variable 1-Day COOVIBR, Pay Fixed 6.39%	404	(37)
Interest Rate Swap	Receive Variable 1-Day COOVIBR, Pay Fixed 6.42%	65	(6)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 6.87%	661	8
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 7.72%	5,205	(76)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 7.73%	796	(12)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 8.11%	1,286	(51)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 8.29%	5,726	(10)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 9.09%	1,156	(126)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 9.10%	2,717	(299)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 9.21%	442	(52)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 9.33%	312	(39)
Interest Rate Swap	Receive Variable 3-Month JIBAR, Pay Fixed 7.75%	660	(6)
Interest Rate Swap	Receive Variable 3-Month KLIBOR, Pay Fixed 3.74%	581	(6)
Interest Rate Swap	Receive Variable 3-Month KLIBOR, Pay Fixed 3.75%	920	(10)
Interest Rate Swap	Receive Variable 3-Month LIBOR, Pay Fixed 2.50%	59,600	(71)
Interest Rate Swap	Receive Variable 3-Month TELBOR, Pay Fixed 0.70%	953	3
Interest Rate Swap	Receive Variable 3-Month TELBOR, Pay Fixed 0.95%	617	(6)
Interest Rate Swap	Receive Variable 3-Month TELBOR, Pay Fixed 0.95%	477	(5)
Interest Rate Swap	Receive Variable 3-Month TELBOR, Pay Fixed 0.96%	1,065	(11)
Interest Rate Swap	Receive Variable 6-Month BUBOR, Pay Fixed 0.46%	13,529	(16)
Interest Rate Swap	Receive Variable 6-Month PRIBOR, Pay Fixed 2.47%	1,477	(48)
Interest Rate Swap	Receive Variable 6-Month WIBOR, Pay Fixed 1.86%	4,559	(11)
Interest Rate Swap	Receive Variable 6-Month WIBOR, Pay Fixed 2.25%	456	(8)
Total Interest Rate Swaps		$ 314,416	$ 3,257

Foreign Currency Risk

At June 30, 2019, the Retirement System is exposed to foreign currency risk on its investments in forwards, rights, warrants, and swaps and futures denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2019:

Currency	Forwards	Swaps	Futures	Total
Argentina peso	$ 578	$ (478)	$ -	$ 100
Australian dollar	68,768	(150)	(118)	68,500
Brazil real	2,707	2,535	-	5,242
Canadian dollar	51,145	-	17	51,162
Chilean peso	657	194	-	851
Colombian peso	4,287	152	-	4,439
Czech koruna	2,874	20	-	2,894
Danish krone	(3,628)	-	-	(3,628)
Egyptian pound	5,339	-	-	5,339
Euro	(61,969)	329	756	(60,884)
Hong Kong dollar	634	-	231	865
Hungarian forint	(7,755)	(9)	-	(7,764)
Indonesian rupiah	1,788	-	-	1,788
Israeli shekel	2,941	195	-	3,136
Japanese yen	(7,026)	(44)	-	(7,070)
Kazakhstan tenge	1,027	-	-	1,027
Malaysian ringgit	307	(16)	-	291
Mexican peso	10,447	(39)	-	10,408
New Taiwan dollar	(2,710)	-	-	(2,710)
New Zealand dollar	41,041	-	-	41,041
Nigerian naira	1,623	-	-	1,623
Norwegian krone	(13,257)	-	-	(13,257)
Peruvian sol	(6,675)	-	-	(6,675)
Philippines peso	1,243	-	-	1,243
Polish zloty	(176)	(7)	-	(183)
Pound sterling	2,560	-	54	2,614
Romanian leu	(1,930)	-	-	(1,930)
New Russian ruble	(55)	-	-	(55)
Singapore dollar	2,560	-	28	2,588
South African rand	(3,013)	-	-	(3,013)
South Korean won	(1,380)	-	-	(1,380)
Swedish krona	(17,911)	(168)	(69)	(18,148)
Swiss franc	(89,647)	(14)	-	(89,661)
Thailand baht	8,982	305	-	9,287
Turkish lira	(2,413)	(30)	-	(2,443)
Ukraine hryvana	443	-	-	443
Total	$ (7,594)	$ 2,775	$ 899	$ (3,920)

Contingent Features

At June 30, 2019, the Retirement System held no positions in derivatives containing contingent features.

Investments in Real Assets

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the year ended June 30, 2019, are summarized as follows:

Beginning of the year	$ 3,578,379
Capital investments	902,896
Equity in net earnings	98,521
Net appreciation in fair value	241,048
Capital distributions	(486,615)
End of the year	$ 4,334,229

(g) Retiree Health Care Trust Fund

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The RHCTF does not have a specific policy to manage interest rate risk but invests in a diversified portfolio of stocks and bonds with a goal of reducing sensitivity to any one interest rate regime.

As of June 30, 2019, the weighted average maturities in years for the RHCTF's fixed income investments were as follows:

Investment Type	Weighted Average Maturity in Years
US Debt Index Fund	7.75
US Treasury TIPS Fund	8.15
Emerging Markets Debt Fund	10.90
Multi-Sector Debt Fund	7.90
City Investment Pool	1.28
Treasury Money Market Fund	0.15

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The RHCTF's investments in the US Debt Index Fund, US Treasury TIPS Fund, Emerging Markets Debt Fund, Multi-Sector Debt Fund, City's investment pool and Treasury Money Market Fund are not rated. Although those funds may invest in rated securities, and securities issued or explicitly guaranteed by the U.S. Government that are exempt from the credit rating disclosures, the funds do not themselves have a specific credit rating.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Securities issued or explicitly guaranteed by the U.S. government are excluded from this disclosure. As of June 30, 2019, the RHCTF had only commingled funds and a partnership investment that equaled or exceeded 5% of the plan's fiduciary net position. However, there is no position within the funds or partnership investment that has equal and greater than 5% at the issuer level and likely very little, if any, overlap.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the RHCTF would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The RHCTF does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the RHCTF's custodial agent in the RHCTF's name. As of June 30, 2019, none of the RHCTF's investments were exposed to custodial credit risk because they were either insured or registered in the name of the RHCTF and were held by the counterparty's trust department or agent.

Foreign Currency Risk

The RHCTF allows investments in international equity. The RHCTF's investments in the commingled funds are denominated in U.S. dollars, but may consist of underlying securities that are denominated in foreign currencies. The RHCTF's investment managers value investments denominated in foreign currencies by converting them into U.S. dollars using the most appropriate exchange rates as identified by each manager. Also, the cost of purchases and proceeds from sales of investments, interest and dividend income are translated into U.S. dollars using the spot market rate of exchange prevailing on the respective dates of such transactions.

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 9.5 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(6) PROPERTY TAXES

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state law. Property taxes are levied on both real and personal property. Liens for secured property taxes attach on January 1st preceding the fiscal year for which taxes are levied. Secured property taxes are levied on the first business day of September and are payable in two equal installments: the first is due on November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property taxes that are delinquent and unpaid as of June 30th are subject to redemption penalties, costs, and interest when paid. If not paid at the end of five years, the secured property may be sold at public auction and the proceeds used to pay delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Unsecured personal property taxes do not represent a lien on real property. Those taxes are levied on January 1st and become delinquent with penalties after August 31st. Supplemental property tax assessments associated with changes in the assessed valuation due to transfer of ownership in property or upon completion of new construction are levied in two equal installments and have variable due dates based on the date the bill is mailed.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-1979, general property taxes are based either on a flat 1% rate applied to the adjusted 1975-1976 value of the property and new construction value added after the 1975-1976 valuation or on a flat 1.0% rate of the sales price of the property for changes in ownership. Taxable values on properties (exclusive of increases related to sales and construction) can rise or be adjusted at the lesser of 2.0% per year or the inflation rate as determined by the Board of Equalization's California Consumer Price Index.

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1.0% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39, which set the approval threshold at 55.0% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately $289.7 million for the year ended June 30, 2019.

Taxable valuation for the year ended June 30, 2019, (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately $235.9 billion, an increase of 11.0%. The secured tax rate was $1.1630 per $100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: about $0.65 for general government, about $0.35 for other taxing entities including the San Francisco Unified School District, San Francisco County Office of Education, San Francisco Community College District, the Bay Area Air Quality Management District, and the San Francisco Bay Area Rapid Transit District, and $0.1630 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.63% and 2.52%, respectively, of the current year tax levy, for an average delinquency rate of 0.74% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100.0% of the secured property taxes billed but not yet collected by the City; in return, as the delinquent property taxes and associated penalties and interest are collected, the City retains such tax amounts in the Agency Fund. To the extent the Agency Fund balances are higher than required; transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve as of June 30, 2019, was $29.1 million, which is included in the Agency Fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2019, was as follows:

Governmental Activities:	Balance July 1, 2018	Increases [1]	Decreases [1]	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	$ 484,474	$ 34,760	$ -	$ 519,234
Intangible assets	8,732	841	-	9,573
Construction in progress	849,925	396,502	(561,568)	684,859
Total capital assets, not being depreciated	1,343,131	432,103	(561,568)	1,213,666
Capital assets, being depreciated:				
Facilities and improvements	4,612,550	559,430	(103)	5,171,877
Machinery and equipment	593,154	33,379	(54,667)	571,866
Infrastructure	1,016,628	93,992	(1,331)	1,109,289
Intangible assets	107,461	1,827	-	109,288
Total capital assets, being depreciated	6,329,793	688,628	(56,101)	6,962,320
Less accumulated depreciation for:				
Facilities and improvements	1,205,139	116,681	(61)	1,321,759
Machinery and equipment	406,113	38,339	(54,667)	389,785
Infrastructure	241,223	44,746	(10)	285,959
Intangible assets	17,424	5,995	-	23,419
Total accumulated depreciation	1,869,899	205,761	(54,738)	2,020,922
Total capital assets, being depreciated, net	4,459,894	482,867	(1,363)	4,941,398
Governmental activities capital assets, net	$ 5,803,025	$ 914,970	$ (562,931)	$ 6,155,064
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 269,158	$ 291	$ (11,646)	$ 257,803
Intangible assets	12,043	-	-	12,043
Construction in progress	5,449,248	[2] 2,956,422	(2,554,363)	5,851,307
Total capital assets, not being depreciated	5,730,449	2,956,713	(2,566,009)	6,121,153
Capital assets, being depreciated:				
Facilities and improvements	17,015,498	1,864,716	(29,557)	18,850,657
Machinery and equipment	2,965,848	638,041	[3] (150,832)	3,453,057
Infrastructure	1,500,314	69,481	-	1,569,795
Property held under lease	697	-	-	697
Intangible assets	207,921	3,710	(16,518)	[3] 195,113
Total capital assets, being depreciated	21,690,278	2,575,948	(196,907)	24,069,319
Less accumulated depreciation for:				
Facilities and improvements	6,487,440	463,098	(16,671)	6,933,867
Machinery and equipment	1,621,829	205,803	(129,700)	[5] 1,697,932
Infrastructure	670,230	43,426	[4] -	713,656
Property held under lease	697	-	-	697
Intangible assets	169,955	8,249	[4] (23,530)	[5] 154,674
Total accumulated depreciation	8,950,151	720,576	(169,901)	9,500,826
Total capital assets, being depreciated, net	12,740,127	1,855,372	(27,006)	14,568,493
Business-type activities capital assets, net	$ 18,470,576	$ 4,812,085	$ (2,593,015)	$ 20,689,646

(1) The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.
(2) See Note 2(t) to the basic financial statements.
(3) Includes $13,723 reclassification in capital assets, being depreciated.
(4) Includes $1,228 accumulated depreciation reclassification.
(5) Includes $20,735 accumulated depreciation reclassification.

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

Governmental Activities:	
Public protection	$ 26,002
Public works transportation and commerce	49,092
Human welfare and neighborhood development	654
Community Health	39,391
Culture and recreation	53,218
General administration and finance	34,545
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis	2,859
Total depreciation expense - governmental activities	$ 205,761
Business-type activities:	
Airport	$ 268,789
Water	120,815
Power	19,864
Transportation	189,436
Hospitals	37,031
Wastewater	60,033
Port	24,608
Total depreciation expense - business-type activities	$ 720,576

Equipment is generally estimated to have useful lives of 2 to 40 years, except for certain equipment of the Water Enterprise that has an estimated useful life of up to 75 years. Facilities and improvements are generally estimated to have useful lives from 15 to 50 years, except for utility type assets of the Water Enterprise, Hetch Hetchy, the Wastewater Enterprise, the SFMTA, and the Port that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of SFMTA, and pier substructures of the Port, which totaled $4.91 billion as of June 30, 2019. Hetch Hetchy Water had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled $45.6 million as of June 30, 2019. The Airport had $6.9 million in intangible assets of permanent easements. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled $6.8 million as of June 30, 2019.

During the year ended June 30, 2019, the City's enterprise funds incurred total interest expense and interest income of approximately $627.0 million and $182.7 million, respectively. Of these amounts, net interest expense of approximately $155.7 million was capitalized. The Airport had write-offs and loss on disposal in the amount of $15.3 million primarily due to disposal. The Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed $1.3 million, $6.1 million, and $8.4 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

Component Unit

Capital asset activity of the component unit for the year ended June 30, 2019 was as follows:

Treasure Island Development Authority:	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	$ 27,481	$ 6,863	$ -	$ 34,344
Construction in progress	-	502	-	502
Total capital assets, not being depreciated	27,481	7,365	-	34,846
Capital assets, being depreciated:				
Machinery and equipment	36	-	-	36
Total capital assets, being depreciated	36	-	-	36
Less accumulated depreciation for:				
Machinery and equipment	16	8	-	24
Total accumulated depreciation	16	8	-	24
Total capital assets, being depreciated, net	20	(8)	-	12
Component unit capital asssets, net	$ 27,501	$ 7,357	$ -	$ 34,858

During the year ended June 30, 2019, the Navy transferred approximately 11 acres of land to TIDA as part of the overall Treasure Island Development Project. Construction began in late 2018, with the complete buildout of the project occurring over fifteen to twenty years. For additional information, refer to Note 15.

(8) BONDS, LOANS, CAPITAL LEASES AND OTHER PAYABLES

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2019, are as follows:

Type of Obligation	July 1, 2018	Additional Obligation	Current Maturities	June 30, 2019
Governmental activities:				
Commercial paper				
Multiple Capital Projects	$ 18,868	$ 179,891	$ (183,980)	$ 14,779
Direct placement revolving certificates of participation				
Transbay Transit Center Project	103,000	-	(25,000)	78,000
Governmental activities short-term obligations	$ 121,868	$ 179,891	$ (208,980)	$ 92,779
Business-type activities:				
Commercial paper				
San Francisco General Hospital	$ 17,640	$ 1,086	$ (3,251)	$ 15,475
San Francisco International Airport	29,410	406,110	(431,945)	3,575
San Francisco Water Enterprise	40,312	161,336	(40,312)	161,336
Hetch Hetchy Water and Power	20,280	50,724	(20,280)	50,724
San Francisco Wastewater Enterprise	262,859	291,498	(262,859)	291,498
Business-type activities short-term obligations	$ 370,501	$ 910,754	$ (758,647)	$ 522,608

City and County of San Francisco Commercial Paper Program

The City launched its commercial paper (CP) program to pay for project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles (Resolution No. 85-09). Pursuant to Resolution No. 85-09 approved in March 2009, the Board of Supervisors established a $150.0 million commercial paper program. Pursuant to Resolution 247-13, the authorization of the commercial paper program was increased from $150.0 million to $250.0 million. The City currently has revolving credit agreements (RCA) and letters of credit (LOC) supporting the $250.0 million program.

CP is an alternative form of short-term (or interim) financing for certain capital projects, vehicles and equipment, that permits the City to pay project costs as project expenditures are incurred. The CP has a fixed maturity date from one to 270 days and in the City's general practice, matures between 30 to 90 days. On the maturity date of a CP note, the note may be rolled (or refinanced) with the re-issuance of CP notes for additional periods of up to 270 days until the CP is refunded with the issuance of long-term obligations.

The City issues CP in series based on the bank providing the applicable credit facility that are divided into subseries according to tax status. The City's CP program has three credit facilities, two RCAs issued by State Street Bank and Trust Company (State Street Bank) and U.S. Bank N.A., which supports the issuance of Commercial Paper Certificates of Participation Series 1&2 ("Series 1&2"), and a Letter of Credit Agreement (LOC) issued by State Street Bank, which supports the issuance of Commercial Paper Certificates of Participation Series 3 ("Series 3"). The Series 1&2 State Street and U.S. Bank N.A. RCAs have fees of 0.45% and 0.45% on the total commitment amounts, respectively, and are scheduled to expire in May 2021. The Series 3 State Street LOC has a fee of 0.50% through February 25, 2019 and an amended fee of 0.38% beginning February 26, 2019.

In December 2018, the City closed the First Amendment to its Commercial Paper Letter of Credit Reimbursement Agreement with State Street Bank, supporting Series 3, in the maximum principal amount not to exceed $100.0 million. The amendment stipulates a quarterly fee of 0.38% for the credit facility agreement, corresponding to the maintenance of a rating at least Aa3/AA-/AA- from Moody's, S&P and Fitch, respectively, and extended the terms of the agreement from February 2019 until February 2022.

In fiscal year 2019, the City issued $179.9 million and retired $184.0 million of CP, excluding CP issued for San Francisco General Hospital, to provide interim financing for various approved capital projects including the acquisition, construction and improvement of an animal care and control facility; the development of the 49 South Van Ness office building; and the development, acquisition, construction or rehabilitation of affordable rental housing projects. As of June 30, 2019, the outstanding principal of taxable and tax-exempt CP of governmental activities was $14.5 million and $0.3 million, respectively, with interest rates ranging from 2.20% to 2.72% and 1.33% to 1.85%, respectively over the term of fiscal year 2019.

Events of default, under the Letter of Credit and Reimbursement Agreement, include: (i) failure by the City to pay any Reimbursement Obligation to the Bank; (ii) failure to perform certain covenants, including the failure to make rental payments under the Sublease, which is an agreement by which the City is obligated to make annual rental payments to a trustee by leasing back city-owned property from the trustee; (iii) failure to make payment on any other Material Debt; (iv) City files for bankruptcy; (v) City is downgraded below investment grade; (vi) City sustains unsatisfied judgment of $25.0 million or more. Upon the occurrence of an event of default under the Letter of Credit and Reimbursement Agreement, the Credit Bank may terminate the Letter of Credit. Any outstanding Commercial Paper Certificates would be payable from proceeds of a Final Draw. If not repaid when due, drawings under the respective RCA supporting the CP notes are amortized up to a five-year period.

Transbay Transit Center Interim Financing

In April 2001, the City, the Alameda-Contra Costa Transit District, and the Peninsula Corridor Joint Powers Board executed a Joint Powers Agreement which created and established the Transbay Joint Powers Authority (TJPA). The TJPA has primary jurisdiction with respect to all matters concerning the financing, design, development, construction, and operation of the Salesforce Transit Center (formerly called the Transbay Transit Center). In order to address a temporary cash flow shortfall during the phase one construction of the Transbay Transit Center, the City, in partnership with the Metropolitan Transportation Commission (MTC), approved in May 2016 a short-term financing with the TJPA in an amount not to exceed $260.0 million. Of the $260.0 million financing, in partnership with the MTC, the City entered into a Certificate Purchase Agreement (CPA) with the Bay Area Toll Authority (BATA) to establish a credit facility in an amount not to exceed $100.0 million, which was never drawn and expired December 31, 2018. The City also entered into a CPA with Wells Fargo to establish a credit facility in an amount not to exceed $160.0 million with a floating rate based on the London Interbank Offered Rate (LIBOR) plus a spread of 0.56% for taxable certificates. The floating interest rate for the facility resets monthly. Under the CPA with Wells Fargo, the City has issued short-term variable rate notes at times and in amounts necessary to meet construction funding needs for phase one of the project. In February 2019, the TJPA paid off $25.0 million of the short-term debt with funds received from the Community Facilities District No. 2014-1. As of June 30, 2019, the City has recorded a receivable in the amount of $78.0 million from the TJPA along with a loan payable from Wells Fargo related to this financing activity. The short-term notes are expected to be repaid from long-term debt payable from Community Facilities District special taxes and/or tax increment. Pursuant to the sublease, the City leases back the leased property from Trustee. The City makes annual base rental payments to Trustee in amounts required to pay debt service on the Certificates.

Events of default under the sublease include (i) the failure by the City to pay Base Rental payments under the sublease when due; and (ii) the failure to observe covenants under the sublease. Remedies by the lender, consist of the right to sue for payments as and when payments become due. There is no right to evict or relet premises and no recourse to TJPA or Pledged Revenues.

San Francisco General Hospital

In July 2014, the Board of Supervisors authorized the execution and delivery of tax-exempt and/or taxable CP in an aggregate principal amount not to exceed $41.0 million to finance the costs of acquisition of furniture, fixtures, and equipment for the new San Francisco General Hospital. As of June 2019, the outstanding principal amount of CP (tax-exempt) was $15.5 million with interest rates ranging from 1.33% to 1.85% over the term of fiscal year 2019. The Commercial Paper Certificates are secured by base rental payments made by the City under a sublease between the City and the Trustee. Base rental payments are payable from the City's general fund resources.

Events of default, under the Letter of Credit and Reimbursement Agreement, include: (i) failure by the City to pay any Reimbursement Obligation to the Bank; (ii) failure to perform certain covenants, including the failure to make rental payments under the Sublease, which is an agreement by which the City is obligated to make annual rental payments to a trustee by leasing back city-owned property from the trustee; (iii) failure make payment on any other Material Debt; (iv) City files for bankruptcy; (v) City is downgraded below investment grade; (vi) City sustains unsatisfied judgment of $25.0 million or more. Upon the occurrence of an event of default under the Letter of Credit and Reimbursement Agreement, the Credit Bank may terminate the Letter of Credit. Any outstanding Commercial Paper Certificates would be payable from proceeds of a Final Draw. If not repaid when due, drawings under the respective LOC supporting the CP notes are amortized up to a five-year period.

San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, as amended and supplemented (the "Note Resolution"), authorizing the issuance of subordinate CP notes in an aggregate principal amount not to exceed the lesser of $400.0 million or the stated amount of the letter(s) of credit (LOC) securing the CP. In November 2016, the Airport adopted Resolution No. 16-0275 which amended the Note Resolution to increase the authorized maximum amount by $100.0 million, from $400.0 million to $500.0 million.

The Airport issues CP in series based on tax status that are divided into subseries according to the bank providing the applicable direct-pay LOC. In addition to the applicable LOC, the CP notes are further secured by a pledge of the Net Revenues of the Airport, subject to the prior payment of the Airports' Second Series Revenue Bonds (the Senior Bonds) outstanding from time to time under Resolution No. 91-0210, adopted by the Airport on December 3, 1991, as amended and supplemented (the 1991 Master Bond Resolution).

Net Revenues are generally defined in the Note Resolution as all revenues earned by the Airport from or with respect to its construction, possession, management, supervision, maintenance, extension, operation, use and control of the Airport (not including certain amounts specified in the Note Resolution), less operation and maintenance expenses (as defined in the Note Resolution).

The CP notes are special, limited obligations of the Airport, and the payment of the principal of and interest on the CP notes is secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts as provided in the Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on a parity with any other bonds or other obligations from time to time outstanding under the Note Resolution.

Events of default for the CP notes include nonpayment events, bankruptcy events, noncompliance with covenants, and default under the 1991 Master Bond Resolution. The CP notes are not subject to acceleration.

Events of default with respect to the letters of credit supporting the CP notes include nonpayment events (both on CP notes and Senior Bonds), bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1997 Note Resolution, or a determination of taxability of interest on the tax-exempt CP notes. A downgrade of the Airport's Senior Bonds to below "Baa1" by Moody's or "BBB+" by S&P or Fitch is an event of termination with respect to all of the LOC supporting the CP notes. In addition, the State Street Bank and Trust LOC supporting $100.0 million of CP notes includes certain changes in law affecting the Airport's payment obligations to the bank as events of termination. Remedies include the LOC bank's ability to stop issuance of the CP notes it supports and to require a final drawing on the LOC. If not repaid when due, drawings under the respective LOC supporting the CP notes are amortized over a three-, four- or five-year period.

As of June 30, 2019, the CP program was supported by three $100.0 million principal amount direct-pay letters of credit issued by State Street Bank and Trust Company, Sumitomo Mitsui Banking Corporation, and U.S. Bank National Association, which, as of June 30, 2019, had expiration dates of May 2, 2024, June 21, 2022, and November 15, 2023, respectively; and a fourth letter of credit issued by Royal Bank of Canada, acting through a branch located at 200 Vesey Street, New York, New York, in the principal amount of $200.0 million and having an expiration date of May 1, 2020. Each of the LOC supports separate subseries of CP. In the aggregate, the LOC permit the Airport to issue CP up to a combined maximum principal amount of $500.0 million as of June 30, 2019.

As of June 30, 2019, there were no obligations other than the CP notes outstanding under the 1997 Note Resolution.

During fiscal year 2019, the Airport issued new money CP notes in the aggregate principal amount of $307.4 million (AMT), $41.3 million (Non-AMT), and $57.5 million (Taxable) to fund capital improvement projects and costs of issuance related to the debt program. As of June 30, 2019, the interest rates on AMT and Non-AMT CP were 1.25% to 1.79%, and 1.22% to 1.76%, respectively.

San Francisco Water Enterprise

The San Francisco Public Utilities Commission and the Board of Supervisors have authorized the issuance of up to $500.0 million in CP pursuant to the voter-approved 2002 Proposition E. As of June 30, 2019, the amount outstanding under Proposition E was $161.3 million. CP interest rates ranged from 0.8% to 2.8%. With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the near-to-medium term, at which time outstanding CP will likely be refunded with revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the CP interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the CP with long-term, fixed rate debt. The Water Enterprise had $338.7 million in unused authorization as of June 30, 2019.

Events of default as specified in the Reimbursement Agreements, or Revolving Credit Agreement include payment defaults; material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods); and bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and /or termination of the respective agreement. As of June 30, 2019, there were no such events described therein.

Hetch Hetchy Water and Power

Effective March 2019, under Charter Sections 9.107(6) and 9.107(8), the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to $250.0 million in CP for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities of Hetchy Power. Interest rates for the CP ranged from 1.3% to 1.7% in fiscal year 2019. The Hetch Hetchy Water and Power had $50.7 million CP outstanding as of June 30, 2019. The Hetch Hetchy Water and Power had $199.3 million in unused authorization as of June 30, 2019.

Events of default as specified in the Reimbursement Agreements, include non-payment, material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements; and bankruptcy, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and /or termination of the respective agreement. As of June 30, 2019, there were no such events described therein.

San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to $750.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Enterprise had $291.5 million CP outstanding as June 30, 2019. The Wastewater Enterprise had $458.5 million in unused authorization as of June 30, 2019.

Significant events of default as specified in the Reimbursement Agreements, Revolving Credit and Term Loan Agreements or Revolving Credit Agreements include payment default, material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods); and bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and /or termination of the respective agreement. As of June 30, 2019, there were no such events described therein.

San Francisco Municipal Transportation Agency

In June 2013, pursuant to the City Charter Section 8A.102 (b) 13, the SFMTA Board of Directors authorized the issuance of CP in an aggregate principal amount not to exceed $100.0 million. In July 2013, the Board of Supervisors concurred with the issuance. The CP is secured by an irrevocable LOC from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and interest rate not to exceed 12% per annum. In June 2018, the SFMTA substituted the 2013 State Street LOC with a new irrevocable LOC from Sumitomo Mitsui Banking Corporation (SMBC) in an aggregate principal amount not to exceed $100.0 million for a term of five years. The LOC will cover the principal as well as the interest accrued on the 270 days prior to the maturity date. The CP program is jointly administered by the Office of Public Finance (OPF) and SFMTA. If needed, OPF initiates the issuance of CP with the dealers and ensures accurate reporting on the CP program. The CP could be issued from time to time on a revolving basis to pay for Board-approved project costs in the SFMTA Capital Improvement Program and other related uses. In consultation with OPF, SFMTA could request drawdowns based on cash flow needs and expenditures schedules.

Events of default under the LOC reimbursement agreement, include failure to pay the principal or interest on the bank note, any representation made by the SFMTA in the agreement has been incorrect in any materially adverse respect when made, failure to comply with certain covenants, either SFMTA or the City files for bankruptcy, default on any debt or judgement payment of a specified threshold, or reduction of debt rating assigned to senior lien revenue bonds below "Baa1" by Moody's or "BBB+" by S&P or Fitch. In an event of default, the bank may declare the principal and interest on all outstanding obligations to be due and payable immediately, terminate issuance of CP, or require the final drawing on the LOC in the amount equal to the principal amount outstanding plus interest.

SFMTA has no CP outstanding as of June 30, 2019.

Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2019:

GOVERNMENTAL ACTIVITIES

Type Of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS [a]:			
Affordable housing	2038	2.00% - 3.95%	$ 150,555
Earthquake safety and emergency response	2038	2.25% - 5.00%	543,265
Clean and safe neighborhood parks	2037	2.00% - 6.26%	195,115
Preservation and Seismic Safety (PASS) program	2058	2.534% - 4.321%	72,420
Public health and safety	2038	3.00% - 5.00%	153,295
Road repaving and street safety	2035	2.00% - 5.00%	153,660
San Francisco General Hospital	2033	3.25% - 6.26%	475,610
Seismic safety loan program	2031	3.36% - 5.69%	18,658
Transportation and road improvement	2037	2.75% - 5.00%	143,880
Refunding	2030	4.00% - 5.00%	387,030
General obligation bonds			2,293,488
LEASE REVENUE BONDS:			
San Francisco Finance Corporation [b], [e] & [f]	2030	1.37% - 5.00% *	127,045
SALES TAX REVENUE BONDS			
SFCTA revenue bonds [g]	2034	3.0% - 4.0%	248,250
CERTIFICATES OF PARTICIPATION:			
Certificates of participation [c] & [d]	2047	1.964% - 5.00%	885,295
OTHER LONG-TERM OBLIGATIONS:			
Loans [d], [f] & [g]	2045	2.00% - 4.5%	22,365
Lease Purchase - Public Safety Radio Replacement [d]	2027	1.6991%	26,154
Capital Lease [d]	2023	1.080%	948
Governmental activities total long-term obligations			$ 3,603,545

* Includes the Moscone Center West Expansion Project Refunding Bonds Series 2008 - 1 & 2, both of which were financed with variable rate bonds that reset weekly. The rate at June 30, 2019 for Series 2008 -1 & 2 averaged to 1.370%.

Debt service payments are made from the following sources:

(a) Property tax recorded in the Debt Service Fund.
(b) Lease revenues from participating departments in the General, Special Revenue and Enterprise Funds.
(c) Revenues recorded in the Special Revenue Funds.
(d) Revenues recorded in the General Fund.
(e) Hotel taxes and other revenues recorded in the General and Special Revenue Funds.
(f) User-charge reimbursements from the General, Special Revenue and Enterprise Funds.
(g) Sales tax revenues by the San Francisco County Transportation Authority.

Internal Service Funds serve primarily the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the above amounts.

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds *	2058	1.72% - 6.00%*	$ 7,300,825
San Francisco Water Enterprise:			
Revenue bonds	2051	0.87% - 6.95%	4,442,405
Certificates of participation	2042	2.00% - 6.49%	104,105
Accreted interest	2019	-	2,029
Hetch Hetchy Water and Power:			
Energy and revenue bonds	2046	4.00% - 5.00%	48,702
Certificates of participation	2042	2.00% - 6.49%	14,173
Municipal Transportation Agency:			
Revenue bonds	2047	3.00% - 5.00%	333,620
Loans	2047	3.30%	8,757
San Francisco General Hospital:			
Certificates of participation	2026	5.55%	12,612
San Francisco Wastewater Enterprise:			
Revenue bonds	2047	1.00% - 5.82%	1,510,385
Certificates of participation	2042	2.00% - 6.49%	27,527
Loans	2051	1.60% - 1.80%	88,032
Port of San Francisco:			
Revenue bonds	2044	3.0% - 7.408%	50,145
Certificates of participation	2043	4.75% - 5.25%	30,010
Loans	2037	4.50%	7,977
Laguna Honda Hospital:			
Certificates of participation	2031	4.50% - 5.25%	112,395
Business-type activities total long-term obligations			$ 14,093,699

* Includes Second Series Revenue Bonds Issue 37C, 2010A and 2018B/C, which were issued as variable rate bonds in a weekly mode. For the year ended June 30, 2019, the average interest rates on Issue 37C and 2010A1,2,3 were 1.33%,1.38%, 1.41% and 1.41%, respectively. For Issue 2018B and 2018C, the average interest rates were 1.29%, and 1.31%, respectively.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in the respective enterprise funds.

Debt Compliance

The City believes it's in compliance with all significant limitations and restrictions contained in the various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2019, the City's general obligation bond debt limit (3% of valuation subject to taxation) was $7.76 billion. The total amount of debt applicable to the debt limit was $2.49 billion. The resulting legal debt margin was $5.27 billion.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the actual earnings from the investment of tax-exempt bond proceeds, which exceed related interest earnings if such investments were invested at a rate equal to the yield of the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each series of tax-exempt general obligation bonds, lease revenue bonds, and certificates of participation, and other direct loans issued by the City and the Finance Corporation. The City and the Finance Corporation do not have rebatable arbitrage liability as of June 30, 2019. Each enterprise fund has performed a similar analysis of its debt, which is subject to arbitrage rebate requirements and does not have rebatable arbitrage liability as of June 30, 2019.

Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency has issued various mortgage revenue bonds for the financing of multifamily rental housing and below-market rate mortgages for first time homebuyers and to facilitate affordable housing construction and rehabilitation in the City. These obligations were issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt. These bonds are secured by the related mortgage indebtedness and special assessment taxes and are not considered obligations of the City. As of June 30, 2019, the total obligation outstanding was $2.16 billion.

Community Facilities District No. 2014-1 (Transbay Transit Center)

In November 2017, the City, on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (the "District") issued Special Tax Bonds, Series 2017A and Series 2017B (the "2017 Bonds") in the par amount of $36.1 million and $171.4 million, respectively, in order to facilitate the construction of the Salesforce Transit Center (formerly called the Transbay Transit Center) and adjacent infrastructure. The 2017 Bonds bear interest rates ranging from 1.50% to 4.00% with principal amortizing from September 2018 through September 2048.

In February 2019, the City issued the Special Tax Bonds, Series 2019A and Series 2019B (the "2019 Bonds") in the par amount of $33.7 million and $157.3 million, respectively, in order to facilitate the construction of the Salesforce Transit Center (formerly called the Transbay Transit Center) and adjacent infrastructure. The 2019 Bonds bear interest rates ranging from 2.63% to 4.37% with principal amortizing from September 2019 through September 2049.

The 2017 and 2019 Bonds are secured under the provisions of the CFD No. 2014-1 Fiscal Agent Agreement (the "Agreement") and will be payable solely from Special Tax Revenues and funds pledged under the Agreement. These bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on the 2017 and 2019 Bonds.

Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2019, are as follows:

	July 1, 2018	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2019	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 2,480,034	$ 72,420	$ (258,966)	$ 2,293,488	$ 139,571
Lease revenue bonds	171,150	48,305	(92,410)	127,045	5,770
Sales tax revenue bonds	248,250	-	-	248,250	12,920
Certificates of participation	924,405	-	(39,110)	885,295	30,835
Subtotal	3,823,839	120,725	(390,486)	3,554,078	189,096
Issuance premiums / discounts:					
Add: unamortized premiums	297,143	6,968	(23,462)	280,649	-
Less: unamortized discounts	(132)	-	132	-	-
Total bonds payable, net	4,120,850	127,693	(413,816)	3,834,727	189,096
Loans	47,462	-	(25,097)	22,365	953
Capital leases	30,654	-	(3,552)	27,102	3,611
Accrued vacation and sick leave pay	164,652	133,745	(128,428)	169,969	98,666
Accrued workers' compensation	255,298	82,390	(56,220)	281,468	51,733
Estimated claims payable	274,680	7,420	(47,715)	234,385	87,006
Governmental activities long-term obligations	$ 4,893,596	$ 351,248	$ (674,828)	$ 4,570,016	$ 431,065

	July 1, 2018	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2019	Amounts Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 12,091,370	$ 2,357,710	$ (811,700)	$ 13,637,380	$ 356,195
Clean renewable energy bonds	51,182	-	(2,480)	48,702	2,528
Certificates of participation	313,869	-	(13,047)	300,822	13,700
Subtotal	12,456,421	2,357,710	(827,227)	13,986,904	372,423
Issuance premiums / discounts:					
Add: unamortized premiums	1,056,737	285,000	(88,043)	1,253,694	-
Less: unamortized discounts	(673)	-	45	(628)	-
Total bonds payable, net	13,512,485	2,642,710	(915,225)	15,239,970	372,423
Accreted interest payable	6,725	304	(5,000)	2,029	2,029
Notes, loans, and other payables	30,078	76,256	(1,568)	104,766	1,810
Accrued vacation and sick leave pay	113,688	60,417	(59,093)	115,012	68,412
Accrued workers' compensation	208,264	62,326	(43,700)	226,890	39,274
Estimated claims payable	110,331	21,188	(22,403)	109,116	48,686
Business-type activities long-term obligations	$ 13,981,571	$ 2,863,201	$ (1,046,989)	$ 15,797,783	$ 532,634

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. Also, for the governmental activities, claims and judgments, workers compensation and compensated absences are generally liquidated by the General Fund.

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2019 for governmental and business-type activities are as follows:

Governmental Activities [1]

Fiscal Year Ending	General Obligation Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest [2]	Principal	Interest [3]	Principal	Interest	Principal	Interest
2020	$ 139,571	$ 97,183	$ 5,770	$ 3,808	$ 48,319	$ 47,180	$ 193,660	$ 148,171
2021	137,850	90,516	12,145	3,524	49,727	45,279	199,722	139,319
2022	144,594	84,184	12,790	3,149	49,347	43,326	206,731	130,659
2023	149,075	77,456	13,255	2,749	50,958	41,382	213,288	121,587
2024	152,517	70,331	14,455	2,332	52,526	39,387	219,498	112,050
2025-2029	786,979	246,087	59,085	5,545	275,292	162,730	1,121,356	414,362
2030-2034	574,847	94,886	9,545	161	321,009	102,258	905,401	197,305
2035-2039	159,855	22,189	-	-	186,102	51,950	345,957	74,139
2040-2044	9,345	9,398	-	-	136,416	15,170	145,761	24,568
2045-2049	11,385	7,351	-	-	13,316	721	24,701	8,072
2050-2054	13,965	4,779	-	-	-	-	13,965	4,779
2055-2058	13,505	1,490	-	-	-	-	13,505	1,490
Total	$ 2,293,488	$ 805,850	$ 127,045	$ 21,268	$ 1,183,012	$ 549,383	$ 3,603,545	$ 1,376,501

Business-Type Activities [1]

Fiscal Year Ending	Revenue Bonds [4] [5]		Certificates of Participation [5]		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 358,723	$ 660,833	$ 13,700	$ 16,958	$ 1,810	$ 1,373	$ 374,233	$ 679,164
2021	373,974	644,425	14,399	16,262	2,837	2,113	391,210	662,800
2022	384,070	626,855	15,128	15,531	3,031	2,126	402,229	644,512
2023	406,863	608,399	15,907	14,759	3,101	2,055	425,871	625,213
2024	399,942	590,526	15,953	13,916	3,172	1,984	419,067	606,426
2025-2029	2,181,475	2,644,843	83,331	56,159	17,012	8,678	2,281,818	2,709,680
2030-2034	1,786,765	2,151,038	61,050	33,423	17,868	6,665	1,865,683	2,191,126
2035-2039	2,256,975	1,669,266	46,425	18,475	18,005	4,734	2,321,405	1,692,475
2040-2044	2,840,060	1,031,276	34,929	3,670	19,017	2,836	2,894,006	1,037,782
2045-2049	2,514,820	399,227	-	-	16,903	1,035	2,531,723	400,262
2050-2054	118,525	20,715	-	-	2,010	39	120,535	20,754
2055-2059	63,890	5,290	-	-	-	-	63,890	5,290
Total	$ 13,686,082	$ 11,052,693	$ 300,822	$ 189,153	$ 104,766	$ 33,638	$ 14,091,670	$ 11,275,484

[1] The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

[2] The interest is before the federal subsidy for the General Obligation Bonds Series 2010C and Series 2010D. The subsidy is approximately $22.2 million and $4.5 million, respectively, through the year ending 2030. The federal sequester reduction was 6.2% in fiscal year 2019 and will be 5.9% in fiscal year 2020. Future interest subsidy may be reduced as well.

[3] Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2 which bear interest at a weekly rate. An assumed rate of 1.37%, together with liquidity fee of 0.350% and remarketing fee of 0.0725% were used to project the interest rate payment in this table.

[4] Debt service for the Airport is per debt service requirement. In the event the letters of credit securing the Airport's outstanding variable rate bonds had to be withdrawn upon to pay such bonds and the amount drawn had to be repaid by the Airport pursuant to the terms of the related agreement with banks providing such letters of credit, the total interest would be $309.0 million less.

[5] The interest is before the federal subsidy for the San Francisco Water, San Francisco Wastewater and Hetch Hetchy Water and Power. Federal subsidies were reduced by 5.9% or a total reduction of $25.4 million, $3.5 million and $0.3 million, respectively, over the life of the bonds, assuming the sequestration rate will remain the same.

Governmental Activities Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the year ended June 30, 2019 are as follows:

Authorized and unissued as of June 30, 2018	$ 741,985
Increase in authorization in this fiscal year:	
Embarcadero Seawall Earthquake Safety Bonds	425,000
Subtotal	$ 1,166,985
Bonds issued:	
Series 2019A Social Bonds - Affordable Housing	(72,420)
Net authorized and unissued as of June 30, 2019	$ 1,094,565

The increase in the authorized and unissued amount over the last year reflect the $425.0 million of 2018 Embarcadero Seawall Earthquake Safety General Obligation Bonds (Proposition A) approved by at least two-thirds of voters at an election held on November 6, 2018. The bonds will be used to finance projects to protect the waterfront, BART and MUNI infrastructure, buildings, historic piers, and roads from earthquakes, flooding and sea level rise. Projects include repairing the 100-year old Embarcadero Seawall, strengthening the Embarcadero roadway, and fortifying transit infrastructure and utilities serving residents and businesses.

In February 2019, the City issued the City and County of San Francisco Taxable General Obligation Bonds (Social Bonds-Affordable Housing, 2016) Series 2019A (the "Series 2019A") in the amount of $72.4 million. The Series 2019A bonds bear interest rates ranging from 2.53% to 4.32% with principal amortizing from June 2020 to June 2058. The proceeds of the Series 2019A bonds will be used to (i) fund loans that finance the cost of acquisition, improvement and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to permanent affordable housing and (ii) to pay certain costs related to the issuance of the Series 2019A bonds.

The General Obligation Bonds debt service payments are funded through ad valorem taxes on property. The City is obligated to levy ad valorem taxes without limitation as to rate or amount on all real property subject to taxation (except in certain limited circumstances) for the payment of general obligation bonds. No City property is pledged to the repayment of general obligation bonds nor is the City required to maintain a reserve fund for the payment of principal and interest.

An event of default is the non-payment of interest or principal, when due. Remedies include mandamus action for payment. General Obligation Bonds are not subject to acceleration.

Certificates of Participation

As of June 30, 2019, the City had a total of $885.3 million of certificates of participation, excluding business-type activities, payable by pledged revenues from the base rental payments payable by the City. A Reserve Fund is established for payment of certain COPs, and is typically established at the IRS threshold of the lesser of maximum annual lease payment, 125% of average annual lease payments or 10% of the original principal amount of COP. The total lease payment requirement on the

certificates of participation is $1.34 billion payable through April 1, 2047. For the year ended June 30, 2019, principal and interest paid by the City totaled $39.1 million and $38.9 million, respectively.

An event of default on every outstanding series of Certificates of Participation, include: (i) the failure to make lease payments when due; or (ii) failure to observe covenants under the respective Project Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Project Lease, including reletting the leased property for the account of the City, or hold the Project Lease and sue each year for rent. Certificates of Participation are not subject to acceleration.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2019 were as follows:

Governmental Activities - Lease Revenue Bonds

Authorized and unissued as of June 30, 2018	$ 187,934
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program	3,734
Current year maturities in Finance Corporation's equipment program	890
Net authorized and unissued as of June 30, 2019	$ 192,558

Finance Corporation

The purpose of the Finance Corporation is to provide a means to publicly finance, through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes.

The Finance Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment, which are in turn leased to the City under the terms of an Indenture and Equipment Lease Agreement. These assets are then recorded in the basic financial statements of the City. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amount that is not applied towards the acquisition or construction of real and personal property such as unapplied acquisition fund, bond issuance costs, funds withheld pursuant to a reserve fund requirement, and amounts designated for capitalized interest are recorded as unearned revenues in the internal service fund until such time it is used for its intended purpose. The unearned amounts are eliminated in the Governmental Activities Statement of Net Position.

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to their respective Master Lease Agreement between the City and the San Francisco Finance Corporation for the use of equipment and facilities acquired, constructed and improved by the Finance Corporation. The total lease payment requirement remaining on the lease revenue bonds is $148.3 million payable through June 2030. For the year ended June 30, 2019, principal and interest paid by the Finance Corporation in the form of lease payments by the City totaled $25.7 million and $4.0 million, respectively.

Equipment Lease Program - In the June 5, 1990 election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to $20.0 million of equipment through a non-profit corporation using tax-exempt obligations. Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to $20.0 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2019, all of the previously

issued equipment lease revenue bonds have been repaid. $78.4 million of unused authorization is still available for new issuance.

Refunding Lease Revenue Bonds Series 2018A - In August 2018, the City issued Refunding Lease Revenue Bonds Series 2018A (Open Space Fund – Various Park Projects) (the "Series 2018A Bonds") in the amount of $34.9 million to redeem the Corporation's outstanding Lease Revenue Bonds, Series 2006 (Open Space fund – Various Park Projects) and Lease Revenue Bonds, Series 2007 (Open Space Fund – Various Park Projects) and to pay costs associated with the issuance of the Series 2018A Bonds. The Series 2018A Bonds bear an interest rate of 5.00% with principal amortizing from July 2019 to July 2029. The refunding resulted in deferred accounting gain of $0.4 million, lease payment savings of $6.3 million and net present value savings of $4.5 million or 11.04% on the refunded Series 2006 and 2007 Bonds.

Refunding Lease Revenue Bonds Series 2018B - In August 2018, the City issued Refunding Lease Revenue Bonds Series 2018B (Branch Library Improvement Program) (the "Series 2018B Bonds") in the amount of $13.4 million to redeem the Corporation's outstanding Lease Revenue Bonds, Series 2009A (Branch Library Improvement Program) and to pay costs associated with the issuance of the Series 2018B Bonds. The Series 2018B Bonds bear interest rates of 4.00% and 5.00% with principal amortizing from June 2019 to June 2028. The refunding resulted in deferred accounting loss of $0.1 million, lease payment savings of $22.9 million and net present value savings of $6.6 million or 25.43% on the refunded Series 2009A Bonds.

Events of Default and Remedies

Moscone Lease Revenue Refunding Bonds, Series 2008-1 and 2008-2 - Events of default as specified in the Indenture include: (i) failure to pay when due the amounts of any drawing, the principal or interest on any Liquidity Advance, or otherwise failure to pay the Credit Bank when due; (ii) failure to observe any covenant or warranty under Credit Agreement; (iii) default on any appropriation debt; (iv) filing for bankruptcy; and (v) downgrade of the City's rating below "BBB" of which could cause acceleration of mandatory tender of bonds. Upon the occurrence of an event of default, remedies include the termination of Letters of Credit terminates on stated termination date; on last payment of bonds; upon payment of bonds from mandatory tender due to substitute credit facility; or conversion of bonds to mode other than daily or weekly. The bonds are subject to mandatory tender.

Emergency Communications System Lease Revenue Refunding Bonds, Series 2010-R1 - Events of default as specified in the Master Trust Agreement include: (i) failure to make lease payments when due; or (ii) failure to observe covenants under the Master Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Master Lease, including the right to terminate the Master Lease, enter the leased property, and, remove all persons and property, reletting leased property for account of the City for public purpose, or hold the Master Lease and sue each year for rent. The bonds are not subject to acceleration.

Open Space Fund Lease Revenue Refunding Bonds, Series 2018A and Branch Library Improvement Program Lease Revenue Refunding Bonds, Series 2018B - Events of default as specified in the Project Lease include: (i) failure to make lease payments when due; or (ii) failure to observe covenants under the Project Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Project Lease, including reletting property for account of the City, or enforce rights under lease and sue each year for rent. The bonds are not subject to acceleration.

San Francisco County Transportation Authority Long-Term Debt

In November 2017, the San Francisco County Transportation Authority (SFCTA) issued Senior Sales Tax Revenue Bonds, Series 2017 (the "Series 2017 Bonds") with a par value of $248.3 million to finance the cost of construction, acquisition and improvement of certain transit, street and traffic facilities and

other transportation projects, repay a portion of the then-outstanding amount under a revolving credit agreement, pay capitalized interest on a portion of the Series 2017 Bonds and pay cost of issuance of the Series 2017 Bonds. The Series 2017 bonds bear interest rates ranging from 3.0% to 4.0% and have final maturity date of February 1, 2034. Outstanding principal at June 30, 2019 is $248.3 million. The Series 2017 Bonds are payable from, and secured by a pledge of, the SFCTA's sales tax revenues. Debt service payments of $8.4 million as a ratio of pledged sales tax revenues of $115.7 million for the year ended June 30, 2019, resulted in debt service coverage of 13.75x or 1,375%. Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants. The Series 2017 Bonds are not subject to acceleration.

In June 2018, the SFCTA entered into a Revolving Credit (Loan) Agreement with State Street Public Lending Corporation and US Bank National Association for a total amount of $140.0 million with a rate of interest equal to the sum of 80% of 1-month LIBOR plus a fixed credit spread (subject to adjustment if the SFCTA's credit rating changes). This agreement replaced a prior revolving credit agreement. In fiscal year 2019, the rate of interest paid by the SFCTA under the Revolving Credit Agreement ranged from 2.07% to 2.28%. The Revolving Credit Agreement expires on June 7, 2021 and is secured by a lien on the SFCTA's sales tax revenues subordinate to the lien on the sales tax revenues securing the SFCTA's Series 2017 Bonds. If specified conditions are met, the repayment period for loans under the Revolving Credit Agreement may extend five years after June 7, 2021. As of June 30, 2019, the SFCTA has no outstanding balance under the Revolving Credit Agreement but can borrow up to $140.0 million under the agreement at any time. The SFCTA paid $0.4 million for interest and commitment fees in fiscal year 2018-19.

Events of default under the Revolving Credit Agreement include nonpayment events, noncompliance with covenants, default on other specified debt, bankruptcy events, specified litigation events, or a ratings downgrade below Baa2 by Fitch, BBB by Moody's or BBB by S&P. Remedies include acceleration (subject in some, but not all, circumstances to a 270-day notice period) and the termination of the right of the SFCTA to borrow under the Revolving Credit Agreement.

Events of Default and Remedies - Other Long-Term Obligations

Marina West Harbor Loans - Events of default include the failure to make loan payments within 30 days of the due date, or failure to observe or comply with requirements under the Agreement within 180 days of receipt of written notice. Remedies by the Department of Boating and Waterways of the State of California are the repossession of the project area and declaring that the loan is due and payable, and the exercise of all other rights and remedies available by law. The Marina West Harbor Loan is subject to an acceleration provision.

Small Business Revolving Loan Funds - Events of default include (i) termination of small business program; (ii) non-permitted use of loan funds; and (iii) bankruptcy event. Remedies by lender include repossession of the right, title, and interest in the loan proceeds account, as well as any outstanding loans made from the Loan Fund. The loan is subject to acceleration provision.

IBM Credit LLC - Events of default include the failure to make lease payments when due, or failure to observe covenants under the Project Lease. Remedies of the lender are repossessing the leased equipment, entering premises to take possession, or enforce rights under Lease, and other remedies available by law. The IBM credit has no acceleration provision.

Public Safety Radio Lease Financing – Events of default include the failure to make lease payments when due, or failure to observe covenants under the Lease Purchase Financing Agreement. Remedies of the lender are repossessing the leased equipment, enforcing rights under the Lease, and other remedies available by law. The Public Safety Radio Lease Financing has no acceleration provision.

Business-Type Activities Long-Term Liabilities

The following provides a brief description of the current year additions to the long-term debt of the business-type activities.

San Francisco International Airport

Second Series Revenue Bonds (Capital Plan Bonds)

Pursuant to resolutions adopted between fiscal years 2008 and 2019, the Airport has authorized the issuance of up to $7.8 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes (CP) issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of June 30, 2019, $2.4 billion of the authorized capital plan bonds remained unissued.

Second Series Revenue Bonds, Series 2019A/B/C

In February 2019, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2019A (AMT), Series 2019B (Non-AMT/Governmental Purpose), and Series 2019C (Taxable) in aggregate principal amount of $1.4 billion to finance and refinance (through repayment of commercial paper notes) a portion of the costs of the following projects, among others: (a) redevelopment of Terminal 1, (b) redevelopment of Terminal 3 West, (c) renovation of the International Terminal departures level, (d) gate capacity enhancements, (e) security improvements, (f) the Superbay renovation program, (g) extension of AirTrain service to the long-term parking garages, (h) a new long-term parking garage, to fund deposits to debt service reserve accounts and the Contingency Account, to fund deposits to capitalized interest accounts, and to pay costs of issuance. The net proceeds of the Series 2019A and Series 2019B and the Series 2019C Bonds issued as capital plan bonds (consisting of $1.4 billion par amount and net original issue premium of $137.4 million), were used to deposit $891.5 million to project accounts, $431.9 million to refund CP, $20.0 million to the Airport's contingency account, $18.7 million to the Original Reserve Account, and $3.7 million to the 2017 Reserve Account, and to pay costs of issuance.

Second Series Revenue Refunding Bonds

Pursuant to resolutions adopted between fiscal years 2005 and 2018, the Airport has authorized the issuance of up to $11.1 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding subordinate commercial paper notes, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. As of June 30, 2019, $2.9 billion of the authorized refunding bonds remained authorized but unissued.

During fiscal year 2019, the Airport issued the following new refunding bonds under the 1991 Master Bond Resolution:

Second Series Revenue Bonds, Series 2019C and Second Series Revenue Refunding Bonds, Series 2019D

In February 2019, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2019C (Taxable), and Second Series Revenue Refunding Bonds, Series 2019D (Non-AMT), in the aggregate principal amount of $410.9 million, to refund $469.4 million of its Series 2009E Bonds, to fund deposits to debt service reserve accounts, and to pay costs of issuance. The net proceeds of the Series 2019C and 2019D Bonds (consisting of $410.9 million par amount and original issue premium of $78.6 million), together with $8.7 million accumulated in the debt service fund relating to the refunded bonds were

used to deposit $17.4 million into the 2017 Reserve Account and $479.8 million into irrevocable escrow funds with the Senior Trustee to refund $469.4 million in revenue bonds as described below.

	Amount refunded	Interest rate	Redemption price
Second Series Revenue Bonds Issue:			
Series 2009E (Non-AMT/Private Activity)	$ 469,400	4.38 - 6.00%	100%
Total	$ 469,400		

The refunded bonds were redeemed on May 2019. In aggregate, the Series 2019C/D refundings resulted in the recognition of a deferred accounting loss of $1.2 million for the year ended June 30, 2019. In aggregate, the Series 2019C/D refundings decreased the Airport's aggregate gross debt service payments by approximately $97.5 million over the next twenty years and obtained an economic gain (the difference between the present values of the old debt and the new debt) of $105.6 million.

Variable Rate Demand Bonds

As of June 30, 2019, the Airport had an outstanding aggregate principal amount of $559.7 million of Second Series Variable Rate Revenue Refunding Bonds, consisting of Issue 37C and Series 2010A, and Second Series Variable Rate Revenue Bonds, consisting of Series 2018B and Series 2018C, (collectively, the "Variable Rate Bonds") with final maturity dates of May 1, 2029 (Issue 37C), May 1, 2030 (Series 2010A), and May 1, 2058 (Series 2018B and 2018C). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days' notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport. The scheduled payment of the principal of and interest on, and payment of purchase price of, the Variable Rate Bonds is secured by separate irrevocable letters of credit issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the table below. Amounts drawn under a LOC that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Bond Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the letters of credit range between 0.39% and 0.63% per annum. As of June 30, 2019, there were no unreimbursed draws under these facilities.

In December 2018, the termination date of the MUFG Union Bank, N.A. LOC supporting the Issue 37C Bonds was extended by one year, to January 27, 2020. The LOC securing the Variable Rate Bonds included in long-term debt as of June 30, 2019, are as follows:

	Issue 37C	Series 2010A	Series 2018B	Series 2018C
Principal amount	$ 82,500	$ 200,885	$ 138,170	$ 138,170
Expiration date	January 27, 2020	June 29, 2020	June 3, 2022	June 3, 2022
Credit provider	MUFG Union Bank N.A. (1)	Bank of America (2)	Barclays (3)	SMBC (4)

(1) Formerly Union Bank, N.A.
(2) Bank of America, National Association
(3) Barclays Bank PLC
(4) Sumitomo Mitsui Banking Corporation, acting through its New York branch

Hotel Special Facility Bonds

Pursuant to resolutions adopted in fiscal years 2017, 2018 and 2019, the Airport authorized the issuance of $260.0 million of Special Facility Bonds to finance an on-Airport hotel. These resolutions also designated the on-Airport hotel as a "Special Facility" under the 1991 Master Bond Resolution, which allows the hotel revenues to be segregated from the Airport's other revenues and used to pay hotel operating expenses and debt service on the Hotel Special Facility Bonds through the Hotel Special Facility Bond trustee. In June 2018, the Airport issued its fixed rate Special Facility Revenue Bonds (San Francisco International Airport Hotel), Series 2018 (the "Hotel Special Facility Bonds"), in the aggregate principal amount of $260.0 million to finance the on-Airport hotel and to fund a capitalized interest account. The Hotel Special Facility Bonds bear interest at a fixed rate of 3.0% per annum, mature in 2058, and are subject to mandatory sinking fund redemption each year starting in 2022.

The Hotel Special Facility Bonds were issued pursuant to a Trust Agreement (the "Hotel Trust Agreement"). The maximum principal amount of such bonds is not limited by the Hotel Trust Agreement, but the Airport must satisfy an additional bonds test prior to the issuance of any such bonds.

The Hotel Special Facility Bonds are limited obligations of the Airport. Under the Hotel Trust Agreement, the Airport has pledged the Revenues of the on-Airport hotel, together with other assets, to the payment of the principal of and interest on the Hotel Special Facility Bonds. Revenues are generally defined in the Hotel Trust Agreement as all revenue and income of any kind derived directly or indirectly from operations at the on-Airport hotel (not including certain amounts specified in the Hotel Trust Agreement). Operating expenses of the on-Airport hotel are payable prior to payment of principal of and interest on the Hotel Special Facility Bonds. The Airport does not maintain a reserve account for the Hotel Special Facility Bonds. The Hotel Special Facility Bonds are subject to acceleration upon the occurrence of an event of default. Events of default include nonpayment events, bankruptcy events, noncompliance with covenants, condemnation of the hotel, or a failure by the Airport to maintain a third-party manager for the hotel. The Hotel Special Facility Bonds are not payable from or secured by the Airport's Net Revenues (as defined under the 1991 Master Bond Resolution). However, because the Airport is the owner of the on-Airport hotel, the Airport is obligated to repay the Hotel Special Facility Bonds from the net revenues of the hotel. As of June 30, 2019, the Airport had $260.0 million of outstanding Hotel Special Facility Bonds.

Interest Rate Swaps

As of June 30, 2019, the Airport's derivative instruments are comprised of three interest rate swaps that the Airport entered into to hedge the interest payments on several series of its variable rate Second Series Revenue Bonds. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swaps continued to be effective as of June 30, 2019.

No.	Current bonds	Initial notional amount	Notional amount June 30, 2019	Effective date
1	2010A (37B)*	$ 79,684	$ 73,137	5/15/2008
2	37C	89,856	82,473	5/15/2008
3	2010A**	143,947	134,660	2/1/2010
	Total	$ 313,487	$ 290,270	

* The Issue 37B Bonds that are hedged by this swap agreement were purchased with proceeds of the Series 2008B Notes, which the Airport subsequently refunded, and the Issue 37B Bonds are held in trust. The swap is now indirectly hedging the Series 2010A-3 Bonds for accounting purposes.

** Hedges Series 2010A-1 and 2010A-2.

Fair Value

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps to arrive at the so-called "settlement amount", i.e., the approximate amount a party would have to pay or would receive if the swap was terminated.

In addition, pursuant to GASB 72, the settlement amounts are then adjusted for the nonperformance risk of each party to the swap to arrive at the fair value. For each swap, the nonperformance risk was computed as the total cost of the transactions required to hedge the default exposure, i.e., a series of European swaptions, exercisable on each of the future payment exchange dates under the swap that are structured to reverse the remaining future cash flow obligations as of such dates, adjusted by probability of default on each future date. Default probabilities were derived from recovery rate adjusted credit default swap quotes or generic ratings based borrowing curves that fall into Level 2 of the GASB 72 fair value hierarchy.

As of June 30, 2019, the fair value of the Airport's three outstanding swaps, counterparty credit ratings, and fixed rate payable by the Airport are shown in the following table. Where a swap is guaranteed, the guarantor ratings are shown. The ratings provided are S&P's Long-Term Local Issuer Credit Rating, Moody's Long-Term Counterparty Rating for Merrill Lynch Derivative Products AG, Moody's Long-Term Senior Unsecured Rating for J.P. Morgan Chase Bank N.A. and Goldman Sachs Group, Inc., and Fitch's Long-Term Issuer Default Rating.

No.	Current bonds	Counterparty/guarantor*	Counterparty credit ratings (S/M/F)	Fixed rate payable by Airport	Fair value to Airport
1	2010A (37B)**	Merrill Lynch Capital Services, Inc./ Merrill Lynch Derivative Products AG	AA/Aa3/NR*	3.773%	$ (10,819)
2	Issue 37C	JP Morgan Chase Bank, NA	A+/Aa2/AA	3.898%	(12,523)
3	2010A***	Goldman Sachs Bank USA/ Goldman Sachs Group, Inc.	BBB+/A3/A*	3.925%	(22,743)
		Total			$ (46,085)

* Reflects ratings of the guarantor.
** The issue 37B Bonds that are hedged by this swap agreement were purchased with proceeds of the Series 2008B Notes, which the Airport subsequently refunded, and the Issue 37B Bonds are held in trust. The swap is now indirectly hedging the Series 2010A-3 Bonds for accounting purposes.
*** Hedges Series 2010A-1 and 2010A-2.

In October 2018, Moody's upgraded the credit rating on J.P. Morgan Chase Bank, N.A., the swap counterparty on the swap associated with the Issue 37C Bonds, from "Aa3" to "Aa2".

Fair Value Hierarchy

	Fair Value June 30,2019	Fair value measurements using significant other observable inputs (Level 2)
Interest rate swaps	$ (46,085)	$ (46,085)

Change in Fair Value

The impact of the interest rate swaps on the financial statements for the year ended June 30, 2019 is as follows:

	Deferred outflows on derivative Instruments	Derivative instruments
Balance as of June 30, 2018	$ 29,245	$ 37,558
Change in fair value to year-end	9,583	8,527
Balance as of June 30, 2019	$ 38,828	$ 46,085

The fair value of the interest rate swap portfolio is recorded as a liability (since the Airport would owe a termination payment to the counterparty) in the statement of net position. Unless a swap was determined to be an off-market swap at the inception of its hedging relationship, the fair value of the swap is recorded as a deferred outflow asset (if a termination payment would be due to the counterparty) or inflow liability (if a termination payment would be due to the Airport). The off-market portions of the Airport's swaps are recorded as carrying costs with respect to various refunded bond issues. Unlike fair value and deferred inflow/outflow values, the balance of remaining off-market portions are valued on a present value, or fixed yield, to maturity basis. The difference between the deferred outflows and derivative instruments presented in the table above constitutes the unamortized off-market portions of the swaps as of June 30, 2019.

Basis Risk – During the year ended June 30, 2019, the Airport paid a total of $1.4 million less in interest on its variable rate bonds than the floating-rate payments it received from the swap counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

Credit Risk – As of June 30, 2019, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport.

Counterparty Risk –As of June 30, 2019, the fair value of the Airport's swaps was negative to the Airport (representing an amount payable by the Airport to each counterparty in the event the relevant swap was terminated).

Termination Risk – The Airport has secured municipal swap insurance for all its regular payments and some termination payments due under all its interest rate swaps, except the swaps associated with the Series 2010A Bonds, from the following insurers, which are rated as to their claims-paying ability and financial strength as follows as of June 30, 2019:

No.	Swap	Swap Insurer	Insurer Credit ratings June 30, 2019 (S&P/Moody's/Fitch)
1	Series 2010A (37B)	Assured Guaranty Municipal Corp.	AA/A2/NR
2	Issue 37C	Assured Guaranty Municipal Corp.	AA/A2/NR
3	Series 2010A	None	N/A

As of June 30, 2019, the fair value of each swap was negative to the Airport as shown above.

Debt Service Reserves

Issue 1 Reserve Account - As of June 30, 2019, the reserve requirement for the Issue 1 Reserve Account was $448.8 million, which was satisfied by $452.2 million of cash and investment securities, and reserve fund surety policies in the initial principal amount of $132.7 million. All of the providers of such reserve policies have one or more credit ratings below the Airport's rating or are no longer rated. In addition, $75.8 million of such surety policies have likely experienced a reduction in value in accordance with their terms.

2009 Reserve Account - As of June 30, 2019, the reserve requirement for the 2009 Reserve Account was $5.1 million, which was satisfied by $20.2 million in cash and investment securities.

2017 Reserve Account - As of June 30, 2019, the reserve requirement for the 2017 Reserve Account was $49.7 million, which was satisfied by $52.6 million in cash and investment securities.

Series Secured by Other or No Reserve Accounts - The Airport Commission does not maintain reserve accounts for its Second Series Variable Rate Revenue Refunding Bonds, Series 2010A and Series 2018B/C, all of which are secured by letters of credit.

Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants, including the rate covenants described below. The bonds are not subject to acceleration.

Payment of principal, and interest and purchase price of bonds that bear interest at variable interest rates are supported by letters of credit. Events of default with respect to the letters of credit supporting the bonds include nonpayment events, bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1991 Master Bond Resolution, or a determination of taxability of interest on tax-exempt bonds supported by the letter of credit. A downgrade of the Airport's Senior Bonds to below "Baa1" of "BBB+" or withdrawal or suspension of a bond rating for credit-related reasons by any rating agency is an event of termination under the letters of credit supporting the bonds. Remedies include the letter of credit bank's ability to cause a mandatory tender of the supported bonds or to accelerate amounts due and payable to the bank; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Masters Bond Resolution. If there are default events pending, drawings under the respective letters of credit supporting the bonds are amortized over a three-, four-, or five-year period; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution.

Water Enterprise

Events of Default and Remedies

Revenue Bonds, Capital Appreciation Bonds and State Revolving Fund Loans - Events of default as specified in the Water Enterprise Indenture, include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which could cause the Trustee to declare that the principal and accrued interest thereon and all capital appreciation bonds then outstanding in its accreted value thereof, to be due and payable immediately. As of June 30, 2019, there were no such events described herein.

Hetch Hetchy Water and Power

Events of Default and Remedies

Clean Renewable Energy Bonds - Significant events of default as specified in the Equipment Lease/ Purchase Agreement, include payment defaults, material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods), and bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded by the proceeds of this debt obligation are pledged as collateral. As of June 30,2019, there were no such events described herein.

Qualified Energy Conservation Bonds - Significant events of default as specified in the Equipment Lease/ Purchase Agreement, include payment defaults, material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods), and bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded by the proceeds of this debt obligation are pledged as collateral. As of June 30,2019, there were no such events described herein.

Power Revenue Bonds - Significant events of default as specified in the Power Enterprise Indenture (applicable to Power Revenue Bonds) include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners by aggregate amount of the bond obligations), declare the principal and the interest accrued thereon to be due and payable immediately. As of June 30, 2019, there were no such events described herein.

San Francisco Municipal Transportation Agency

Events of Default and Remedies

Revenue Bonds – Events of default under the indenture of trust include failure to pay the principal amount and any installment of interest, failure to pay the purchase price of any bond tendered for optional or mandatory purchase, failure to comply with certain covenants, or either the SFMTA or the City files for bankruptcy. In an event of default, the trustee may declare the principal amount of all the bonds outstanding and interest accrued thereon to be due and payable immediately. In case any proceeding taken by the trustee on account of an event of default is discontinued, the SFMTA, trustee, and bondholders shall be restored to their former positions and rights as if no such proceeding had been taken.

Portsmouth Plaza Parking Corporation Loan – In an event of default under the loan agreement, any outstanding amounts become immediately due if the garage is unable to make payment and fails to comply with the debt service coverage ratio of 1.25:1 for each fiscal year.

Wastewater Enterprise

Wastewater Revenue Bonds 2018 Series A, B and C

In August 2018, the Wastewater Enterprise issued revenue bonds 2018 Series A (SSIP) (Green Bonds) in the amount of $229.0 million with interest rates ranging from 4.0% to 5.0%. Proceeds of the bonds were used for Wastewater capital projects in furtherance of the SFPUC's Sewer System Improvement Program ("SSIP"), to pay off $25.0 million of outstanding commercial paper notes, to fund capitalized interest, and pay the cost of issuing the bonds. The bonds mature through October 2043.

In August 2018, the Wastewater Enterprise issued revenue bonds 2018 Series B (Non-SSIP) in the amount of $186.0 million with 5.0% interest rate. Proceeds of the bonds were used for Wastewater capital projects, to fund capitalized interest, and pay the cost of issuing the bonds. The bonds mature through October 2043.

In August 2018, the Wastewater Enterprise issued revenue bonds 2018 Series C (SSIP) (Green Bonds) in the amount of $179.1 million with 2.1% interest rate. Proceeds of the bonds were used for Wastewater capital projects, to fund capitalized interest, and pay the cost of issuing the bonds. The bonds mature through October 2048.

Lake Merced Green Infrastructure Project CWSRF Loan

In January 2016, then amended in May 2016, the San Francisco Public Utilities Commission (SFPUC) entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan to fund the Lake Merced Green Infrastructure Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $7.4 million. The loan bears an interest rate of 1.6% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected by July 2020. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling $4.9 million. As of June 30, 2019, the principal amount outstanding of the loan was $4.9 million.

Southeast Plant (SEP) 521/522 and Disinfection Upgrade Project CWSRF Loan

In September 2017, then amended in December 2017 and May 2018, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan to fund the SEP 521/522 and Disinfection Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $40.0 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected by July 2019. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has submitted requests for loan disbursements to date totaling $37.7 million. As of June 30, 2019, the principal amount outstanding on the loan was $37.7 million.

North Point Facility Outfall Rehabilitation Project CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan to fund the North Point Facility Outfall Rehabilitation Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $20.2 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost

at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in February 2018. The CWSRF loans is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling $17.7 million. As of June 30, 2019, the principal amount outstanding of the loan was $17.1 million.

SEP Primary/Secondary Clarifier Upgrade Project CWSRF Loan

In September 2017 the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan to fund the SEP Primary/Secondary Clarifier Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $34.4 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in June 2018. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $29.2 million. As of June 30, 2019, the principal amount outstanding of the loan was $28.4 million.

Events of Default and Remedies

Wastewater Revenue Bonds, SRF Loans, and WIFIA Loan - Events of default as specified in the Wastewater Enterprise Indenture include non-payment, material breach of warranty, representation, or indenture covenants which are not cured within applicable grace periods, and bankruptcy and insolvency events. The trustee, upon written request, by majority of the owners (by aggregate amount of the bond obligations or of a credit provider), shall declare the principal and interest accrued thereon, to be due and payable immediately. As of June 30, 2019, there were no such events described herein.

Port of San Francisco

In May 2019, the Port assumed the operations and corresponding balances of the South Beach Harbor (the SBH) from the Office of Community Investment and Infrastructure (OCII), including three loans provided by Cal Boating, which totaled $6.1 million and accrues interest at a rate of 4.5% per annum. Total principal and interest remaining to be paid on the loans are $8.8 million. The loan is secured by net revenues as defined in the loan agreement. Annual principal and interest payments were $536 in 2019 and pledged net revenues were $2.1 million for the year ended June 30, 2019. Cal Boating may take possession of the operations if after ninety days written notice, the Port remains in breach of any of the provisions of Small Craft Harbor loans and operation contract. Cal Boating shall operate or maintain the operations for the account of the Port until the loan is repaid in full.

Also, in conjunction with the receipt of SBH loans, the Port designated SBH as a Special Facility and the Cal Boating Loans as Special Facility Bonds as provided under the Port's Revenue Bond Master Trust Indenture. Pursuant to Section 2.14 of the Revenue Bond Master Trust Indenture, the Port Commission is authorized to designate an existing or planned facility, structure, equipment or other property, real or personal property that is located within the Port Area as a Special Facility. The Port Commission may designate revenue earned by the Port from or with respect to a Special Facility as "Special Facility Revenue". Special Facility Revenue is not included in revenue as defined in the Revenue Bond Master Trust Indenture, and, consequently, is not included in the net revenues that are pledged as security for the Revenue Bonds under the Revenue Bond Master Trust Indenture.

Events of Default and Remedies

Revenue Bonds - The revenue bonds contain an acceleration provision that in an event of default, the trustee may, upon written request from the credit provider or holders of not less than fifty-one percent

of the aggregate principal amount then outstanding, by written notice to the Port, shall declare the principal amount of all bonds outstanding and the interest accrued becomes due and payable immediately.

Certificates of Participation – In an event of default, the trustee may enforce all of its rights and remedies under the project lease, including the right to recover base rental payments as they become due under the project lease by pursuing any remedy available in law or in equity, other than by terminating the project lease or re-entering and reletting the leased property, or except as expressly provided in the project lease.

Loan Agreement with the California Division of Boating and Waterways – The loan contains a provision that in an event the Port fails, in whole or in part, to make any payment due under the Fisherman's Wharf loan contract, then such a deficiency shall be added to and become part of the principal of the loan and a provision that if any annual loan installment made by the Port is less than the amount required under the contract, then such payment shall first be applied to reduce any accrued unpaid interest due on the loan while any remaining part of the payment shall be used to reduce the principal of the loan.

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

General Information About the Pension Plans – The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension plan (SFERS Plan), which covers substantially all of the employees of the City and County of San Francisco, and certain classified and certificated employees of the San Francisco Community College and Unified School Districts, and San Francisco Trial Court employees other than judges. The San Francisco City and County Charter and the Administrative Code are the authority which establishes and amends the benefit provisions and employer obligations of the SFERS Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the SFERS Plan. That report may be obtained on the Retirement System's website at http://mysfers.org or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

Replacement Benefits Plan – The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Trust. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415(b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

In addition, some City employees are eligible to participate in the Public Employees' Retirement Fund (PERF) of the California Public Employees' Retirement System (CalPERS) Safety Plan, an agent multi-employer pension plan, or the CalPERS Miscellaneous Rate Plan, included in CalPERS public agency cost-sharing multiple-employer pension plan. Some employees of the Transportation Authority, a blended component unit, and the Successor Agency, a fiduciary component unit, are eligible to participate in a CalPERS Miscellaneous Rate Plan or a CalPERS Public Employees' Pension Reform Act (PEPRA) Miscellaneous Rate Plan, both rate plans are included in CalPERS public agency cost-sharing multiple-employer pension plan. In addition, some employees of the Treasure Island Development Authority, a discretely presented component unit, are eligible to participate in the

CalPERS Miscellaneous Rate Plan included in CalPERS public agency cost-sharing multiple-employer pension plan.

CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute, employer contract with CalPERS and by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits

SFERS – The SFERS Plan provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The SFERS Plan also provides pension continuation benefits to qualified survivors. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City. The four main categories of SFERS Plan members are:

- Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's Department, and miscellaneous safety employees hired on and after January 7, 2012.
- Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are summarized as follows:

Miscellaneous Non-Safety Members who became members prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Miscellaneous Non-Safety Members who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Miscellaneous Non-Safety Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 53 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Sheriff's Department Members and Miscellaneous Safety Members who were hired on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members before November 2, 1976 qualify for a service retirement benefit if they are at least 50 years old and have at least 25 years of credited service. The service retirement benefit is calculated using the member's final compensation (monthly salary earnable at the rank or position the member held for at least one year immediately prior to retiring) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after November 2, 1976 and prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All members' qualified surviving spouses and qualified domestic partners are eligible to apply for death benefits prior to or after member's retirement.

Death benefit prior to retirement generally, upon death of the active member who is eligible for a service retirement, qualified surviving spouse and qualified domestic partner receives continuation benefits equal to 50% to 100% of the member's retirement allowance that the member would have received had he or she retired on the date of death. The qualified surviving spouses and qualified domestic partners of Safety members who die prior to becoming eligible for service retirement and whose death is due to an injury received in or illness caused by the performance of duty, salary continuation is provided to the qualified survivor until such time as the member would have qualified for service retirement had he or she lived at which time a continuation benefit equal to 100% of the member's service retirement allowance is provided to the qualified survivor. A lump sum death payment equal to 6 months' earnable

salary plus the member's accumulated contributions is provided upon the death of an active employee not yet eligible for a service retirement to the member's named beneficiary or estate.

Death benefit after retirement generally, upon the death of a retired member, the retirement system provides continuation benefits to a qualified surviving spouse or qualified domestic partner equal to 50% to 100% of the member's retirement allowance as of the date of death.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2%. The SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provisions of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012, members who retired before November 6, 1996 will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the "full funding" requirement does not apply to members who retired on or after November 6, 1996 and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even when an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

CalPERS – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on a final compensation, which is the highest average pay rate and special compensation during any consecutive one-year or three-year period. The cost of living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California PEPRA, which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such, members who established CalPERS membership on or after January 1, 2013 are known as "PEPRA" members.

The CalPERS' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	City Miscellaneous Plan		City Safety Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013*	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 60		2% @ 50, 2% @ 55 or 3% @ 55	2% @ 57 or 2.7% @ 57
Benefit vesting schedule	5 years of service		5 years of service	5 years of service
Benefit payments	Monthly for life		Monthly for life	Monthly for life
Required employee contribution rates	5.00%		7.00% to 9.00%	10.75% to 13.00%
Required employer contribution rates	10.81%		20.97%	20.97%

** For the City Miscellaneous Plan there are no current active employees hired on or after January 1, 2013. For the Treasure Island Miscellaneous Plan there are no current active employees.*

	Transportation Authority Miscellaneous Plan		Successor Agency Miscellaneous Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Required employee contribution rates	7.00%	6.25%	7.00%	6.50%
Required employer contribution rates	9.41%	6.84%	10.41%	7.38%

At June 30, 2019, the CalPERS' City Safety Plan had a total of 2,289 members who were covered by these benefits, which includes 1,093 inactive employees or beneficiaries currently receiving benefits, 306 inactive employees entitled to but not yet receiving benefits, and 890 active employees.

Contributions

For the year ended June 30, 2019, the City's actuarial determined contributions were as follows:

SFERS Plan	$ 607,408
City CalPERS Miscellaneous Plan	28
City CalPERS Safety Plan	34,933
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	479
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	1,637
Treasure Island Development Authority CalPERS Miscellaneous Plan	7
Total	$ 644,492

SFERS – Contributions are made to the basic SFERS Plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2019 varied from 7.5% to 13.0% as a percentage of gross covered salary. For the year ended June 30, 2018, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2017 actuarial report, the required employer contribution rates for fiscal year 2019 were 18.81% to 23.31%.

CalPERS – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the PERF is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

Replacement Benefits Plan – The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid $2.4 million replacement benefits in the year ended June 30, 2019.

Pension liabilities are financed by governmental funds and enterprise funds that are responsible for the charges.

Net Pension Liability

The table below shows how the net pension liability (NPL) as of June 30, 2019 is distributed.

Governmental activities	$ 2,656,465
Business-type activities	1,772,650
Fiduciary funds	27,178
Component Unit - Treasure Island Development Authority	28
Total	$ 4,456,321

As of June 30, 2019, the City's NPL is comprised of the following:

	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan	94.1042%	$ 4,030,207
City CalPERS Miscellaneous Plan	-0.1573%	(15,154)
City CalPERS Safety Plan	N/A	319,740
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	0.0215%	2,069
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	0.2820%	27,178
Treasure Island Development Authority CalPERS Miscellaneous Plan	0.0003%	28
Replacement Benefits Plan	N/A	92,253
Total		$ 4,456,321

The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The City's NPL for each of its cost-sharing plans is measured as of June 30, 2018, and the total pension liability for each cost-sharing plan used to calculate the NPLs was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. The City's proportion of the NPL for the SFERS Plan was based on the City's long-term share of contributions to SFERS relative to the projected contributions of all participating employers, actuarially determined. The City's proportions of the NPL for the CalPERS plans were actuarially determined as of the valuation date.

The City's proportionate share and NPL of each of its cost-sharing plans as of June 30, 2018 and 2017 were as follows:

	June 30, 2018 (Measurement Date)		June 30, 2017 (Measurement Date)	
	Proportionate Share	Share of Net Pension Liability (Asset)	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan	94.1042%	$ 4,030,207	94.0674%	$ 4,697,131
City CalPERS Miscellaneous Plan	-0.1573%	(15,154)	-0.1388%	(13,766)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	0.0215%	2,069	0.0216%	2,142
Successor Agency Classic & PEPRA CalPERS Miscellaneous Plans	0.2820%	27,178	0.2751%	27,280
Treasure Island Development Authority CalPERS Miscellaneous Plan	0.0003%	28	0.0003%	28
Total		$ 4,044,328		$ 4,712,815

The City's NPL for the CalPERS City Safety Plan (agent plan) is measured as the total pension liability, less the CalPERS Safety Plan's fiduciary net position. The change in the NPL for the City CalPERS Safety Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2017 (MD)	$ 1,320,856	$ 1,017,528	$ 303,328
Change in year:			
Service cost	34,006	-	34,006
Interest on the total pension liability	94,305	-	94,305
Changes of assumptions	2,492	-	2,492
Differences between expected and actual experience	6,909	-	6,909
Plan to plan resource movement	-	(3)	3
Contributions from the employer	-	31,189	(31,189)
Contributions from employees	-	9,359	(9,359)
Net investment income	-	85,351	(85,351)
Benefit payments, including refunds of employee contributions	(56,625)	(56,625)	-
Administrative expense	-	(1,585)	1,585
Other miscellaneous income/(expense)	-	(3,011)	3,011
Net changes during measurement period	81,087	64,675	16,412
Balance at June 30, 2018 (MD)	$ 1,401,943	$ 1,082,203	$ 319,740

The City's pension liability for the Replacement Benefits Plan is measured as the total pension liability as there are no assets in a plan. The change in the total pension liability for the City Replacement Benefits Plan is as follows:

	Increase (Decrease)
	Total Pension Liability
Balance at June 30, 2017 (MD)	$ 84,295
Change in year:	
Service cost	1,298
Interest	2,998
Differences between expected and actual experience	564
Assumption changes	5,540
Benefit payments, including refunds of employee contributions	(2,442)
Net changes during measurement period	7,958
Balance at June 30, 2018 (MD)	$ 92,253

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City recognized pension expense including amortization of deferred outflows/inflows related to pension items as follows:

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Fiduciary Funds	Treasure Island Development Authority	Total
SFERS Plan	$ 296,582	$ 191,673	$ -	$ -	$ 488,255
City CalPERS Miscellaneous Plan	(2,723)	-	-	-	(2,723)
City CalPERS Safety Plan	59,995	-	-	-	59,995
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	581	-	-	-	581
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	-	-	776	-	776
Treasure Island Development Authority CalPERS Miscellaneous Plan	-	-	-	9	9
Replacement Benefits Plan	6,386	-	-	-	6,386
Total pension expense	$ 360,821	$ 191,673	$ 776	$ 9	$ 553,279

At June 30, 2019, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SFERS Plan		CalPERS Miscellaneous Plans		City CalPERS Safety Plan		Replacement Benefits Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 607,408	$ -	$ 2,151	$ -	$ 34,933	$ -	$ -	$ -	$ 644,492	$ -
Change in assumptions	628,390	-	3,760	2,546	35,047	1,392	9,038	6,174	676,235	10,112
Difference between expected and actual experience	32,699	114,064	1,320	963	4,918	7,371	9,646	-	48,583	122,398
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	5,730	3,836	4,155	5,619	-	-	-	-	9,885	9,455
Net differences between projected and actual earnings on plan investments	-	647,802	145	75	2,057	-	-	-	2,202	647,877
Total	$ 1,274,227	$ 765,702	$ 11,531	$ 9,203	$ 76,955	$ 8,763	$ 18,684	$ 6,174	$ 1,381,397	$ 789,842

At June 30, 2019, the City reported $644.5 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	SFERS Plan	CalPERS Miscellaneous Plans	City CalPERS Safety Plan	Replacement Benefits Plan	Total
2020	$ 257,217	$ 155	$ 30,298	$ 4,531	$ 292,201
2021	113,109	190	15,838	4,531	133,668
2022	(331,456)	(39)	(10,174)	2,228	(339,441)
2023	(137,754)	(128)	(2,703)	1,220	(139,365)
Total	$ (98,884)	$ 178	$ 33,259	$ 12,510	$ (52,937)

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2018 is provided below, including any assumptions that differ from those used in the July 1, 2017 actuarial valuation.

	SFERS Plan Actuarial Assumptions		CalPERS Miscellaneous and Safety Plans
Valuation date	June 30, 2017 updated to June 30, 2018		June 30, 2017
Measurement date	June 30, 2018		June 30, 2018
Actuarial cost method	Entry-age normal cost method		Entry-age normal cost method
Investment rate of return	7.50%, net of pension plan investment expenses		7.15%, net of pension plan investment expenses
Municipal bond yield	3.58% as of June 30, 2017 3.87% as of June 30, 2018 Bond Buyer 20-Bond GO Index, June 29, 2017 and June 28, 2018		
Inflation	3.00%		Miscellaneous Plan: 2.5% and Safety Plan: 2.75%
Projected salary increases	3.50% plus merit component based on employee classification and years of service		Varies by Entry Age and Service
Discount rate	7.50% as of June 30, 2018		7.15% as of June 30, 2018
Basic COLA	Old Miscellaneous and		
	All New Plans	2.00%	Miscellaneous Contract COLA up to 2.50% until Purchasing Protection Allowance Floor on Purchasing Power applies.
	Old Police and Fire:		
	Pre 7/1/75 Retirements	2.50%	
	Chapters A8.595 and A8.596	3.10%	Safety standard COLA 2.0%
	Chapters A8.559 and A8.585	4.20%	

Mortality rates for active members and healthy annuitants were based upon adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

The actuarial assumptions used in the SFERS at the June 30, 2018 measurement date were based upon the results of an experience study for the period July 1, 2009 through June 30, 2014 and an economic experience study as of July 1, 2017.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. All other actuarial assumptions used in the CalPERS June 30, 2017 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The CalPERS discount was 7.15% as of the June 30, 2018 measurement date.

For the Replacement Benefits Plan beginning of the year measurement is also based on the census data used in the actuarial valuation as of July 1, 2017.

Discount Rates

SFERS – The discount rate used to measure SFERS's total pension liability as of June 30, 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan members and employers contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2017 actuarial valuation.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining Unfunded Actuarial Liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. For the July 1, 2016 valuation, the increase in the Unfunded Actuarial Liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.50% each year. The Unfunded Actuarial Liability is based on an Actuarial Value of Assets that smooths investment gains and losses over five years and a measurement of the Actuarial Liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of the Actuarial Liability in the valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the Actuarial Value of Assets. For members who did not work after November 6, 1996 and before Proposition C passed, the Market Value of Assets must also exceed the Actuarial Liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System, the Retirement System developed an assumption as of June 30, 2018, of the probability and amount of Supplemental COLA for each future year. We have assumed that a full Supplemental COLA will be paid to all Post 97 Retirees effective July 1, 2018.

The table below shows the net assumed Supplemental COLAs for members with a 2.00% basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

Year Ending June 30	96 - Prop C	Before 11/6/96 or After Prop C
2019	0.75%	0.00%
2022	0.75%	0.29%
2025	0.75%	0.35%
2028	0.75%	0.36%
2031+	0.75%	0.38%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2097 when only a portion of the projected benefit payments are expected to be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.87% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2018 is 7.50%.

The long-term expected rate of return on pension plan investments was 7.50%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	31.0%	5.4%
Treasuries	6.0%	0.5%
Liquid Credit	3.0%	3.3%
Private Credit	10.0%	4.6%
Private Equity	18.0%	6.6%
Real Assets	17.0%	4.5%
Hedge Funds/Absolute Return	15.0%	3.7%

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Rate Plans and the Safety Plan total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class[1]	Target Allocation	Real Return Years 1 - 10 [2]	Real Return Years 11+ [3]
Global equity	50.00%	4.80%	5.98%
Global fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(1) In the CalPERS Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.

Replacement Benefits Plan – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 3.58% as of June 30, 2017 and 3.87% as of June 30, 2018. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 29, 2017 and June 28, 2018. These are the rates used to determine the total pension liability as of June 30, 2017 and June 30, 2018.

The inflation assumption of 3.00% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of $220 for 2018 was used for the 2018 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

At June 30, 2019, the membership in the RBP had a total of 396 active members and 81 retirees and beneficiaries currently receiving benefits.

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the NPL for each of the City's cost-sharing retirement plans, calculated using the discount rate, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Cost-Sharing Pension Plans Proportionate Share of Net Pension Liability	1% Decrease Share of NPL @ 6.50%	Current Share of NPL @ 7.50%	1% Increase Share of NPL @ 8.50%
SFERS	$ 7,548,159	$ 4,030,207	$ 1,121,159

	1% Decrease Share of NPL @ 6.15%	Current Share of NPL @ 7.15%	1% Increase Share of NPL @ 8.15%
City CalPERS Miscellaneous Plan	$ (12,330)	$ (15,154)	$ (17,486)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	3,635	2,069	776
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	42,059	27,178	14,893
Treasure Island Development Authority CalPERS Miscellaneous Plan	39	28	19

The following presents the NPL for the City's CalPERS Safety Plan (agent multiple-employer plan) and the total pension liability for the City's Replacement Benefits Plan, calculated using the discount rate, in effect as of the measurement date, as well as what the net/total pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Agent Pension Plan	1% Decrease @ 6.15%	Measurement Date @ 7.15%	1% Increase @ 8.15%
City CalPERS Safety Plan	$ 510,475	$ 319,740	$ 162,391

	1% Decrease @ 2.87%	Measurement Date @ 3.87%	1% Increase @ 4.87%
Replacement Benefits Plan	$ 110,408	$ 92,253	$ 78,020

Detailed information about the CalPERS Safety Plan's fiduciary net position is available in a separately issued CalPERS financial report, copies may be obtained from the CalPERS website at www.calpers.ca.gov.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

Health Service System

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately $789.8 million in fiscal year 2019. The employers' contribution is mandated and

determined by Charter provision based on similar contributions made by the ten most populous counties in California and the contribution models negotiated with the unions. Included in this amount is $226.3 million to provide postemployment health care benefits for 28,859 retired participants, of which $186.5 million related to City employees. The City's liability for postemployment health care benefits is enumerated below. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 300, San Francisco, CA 94103 or from the City's website.

(b) Postemployment Health Care Benefits

City (excluding the Transportation Authority and the Successor Agency)

The City maintains a defined benefit other postemployment benefits plan (the OPEB Plan). The OPEB Plan provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

San Francisco Health Service System OPEB Plan	
Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

The City prefunds its OPEB obligations through the Retiree Health Care Trust Fund (RHCTF) that allows participating employers to prefund certain postemployment benefits other than pensions for their covered employees. The RHCTF is an agent multiple-employer trust fund and has two participating employers: (i) the City and County of San Francisco and (ii) the San Francisco Community College District. The RHCTF is administered by the City and is presented as an other postemployment benefit trust fund herein. The RHCTF's administrator, the City and County of San Francisco's Retirement System (SFERS), issues a publicly available financial report consisting of financial statements and required supplementary information for the RHCTF in aggregate. The report may be obtained by writing to SFERS, 1145 Market Street, 5th Floor, San Francisco, CA 94103.

Former employees of the City and County of San Francisco who were members of the Health Service System and who retire under SFERS or CalPERS are eligible for postretirement health benefits from the City and County of San Francisco. Effective with Proposition B, passed June 3, 2008, employees hired on or after January 10, 2009 must retire within 180 days of separation in order to be eligible for retiree healthcare benefits from the City. The eligibility requirements are as follows:

City and County of San Francisco's Retirement System (SFERS)

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service [1]
		Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement [2]	Any age with 10 years of credited service	
Terminated Vested	5 years of credited service at separation	

California Public Employees' Retirement System (CalPERS)

Normal Retirement	Age 50 with 20 years of credited service[3]
Disabled Retirement [2]	Any age with 5 years of credited service
Terminated Vested	5 years of credited service at separation

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012.
[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those killed in the line of duty.
[3] Age 52 with 5 years of credited service for Miscellaneous members hired on or after January 1, 2013.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical: PPO – City Health Plan (self-insured) and UHC Medicare Advantage (fully-insured)
HMO – Kaiser (fully-insured) and Blue Shield (flex-funded)

Dental: Delta Dental, DeltaCare USA and UnitedHealthcare Dental

Vision: Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

As of the June 30, 2018 valuation date, the following current and former employees were covered by the benefit terms under the healthcare plan:

	City Plan
Active plan members	32,380
Inactive employees entitled to but not yet receiving benefit payments	2,071
Inactive employees or beneficiaries currently receiving benefit payments	22,045
Total	56,496

San Francisco County Transportation Authority and Successor Agency

The Transportation Authority's defined benefit postemployment healthcare plan provides healthcare benefits to eligible employees and their surviving spouses. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 and meeting program vesting requirements or being converted to disability status and retiring directly from the Transportation Authority. Dental and vision benefits are not available to retirees. The Transportation Authority is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for the provision of healthcare insurance programs for both active and retired employees.

Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's other postemployment benefits plan. The Successor Agency sponsors a defined benefit plan providing OPEB to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency pays 100% of the premiums of CalPERS medical plan to eligible employees that satisfied the required services years and minimum age.

The Transportation Authority and the Successor Agency participate in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent multiple-employer postemployment health plan, to prefund other postemployment benefits through CalPERS. CalPERS issues publicly available financial reports for all plans it administers and a separate GASB Statement No. 75 report for CERBT that can be found on CalPERS website.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the healthcare plan:

	Transportation Authority	Successor Agency
Active plan members	37	47
Inactive employees or beneficiaries currently receiving benefit payments	9	115
Total	46	162

Contributions

The City's benefits provided under the OPEB Plan are currently paid through "pay-as-you-go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the RHCTF a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City's actuary has determined that the City's portion of the RHCTF is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the RHCTF. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City contributes 0.25% of compensation into the RHCTF for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City contributes an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's actuary has determined that the City's portion of the RHCTF is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation. Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

For the year ended June 30, 2019, the City's funding was based on "pay-as-you-go" plus a contribution of $32.8 million to the RHCTF. The "pay-as-you-go" portion paid by the City was $185.8 million for a total contribution subsequent to the measurement date of $218.6 million for the year ended June 30, 2019.

The Transportation Authority's contribution requirements are established and may be amended by the Board. The Transportation Authority makes contributions on an actuarial basis, funding the full actuarially determined contributions (ADC). The Transportation Authority's employees are not required to contribute to the OPEB plan. For the year ended June 30, 2019, the Transportation Authority contributed $0.1 million to the CERBT plan. The Successor Agency's OPEB funding policy is to contribute 100% or more of the ADC annually by contributing to the CERBT. For the year ended June 30, 2019, the Successor Agency contributed $3.0 million to the plan. There are no employee contributions to the Successor Agency's plan. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

OPEB liabilities are financed by governmental funds and enterprise funds that are responsible for the charges.

Net OPEB Liability

The table below shows how the net OPEB liability (NOL) as of June 30, 2019 is distributed.

	2019
Governmental activities	$ 1,945,998
Business-type activities	1,643,413
Fiduciary funds	18,353
Total	$ 3,607,764

As of June 30, 2019, the City's NOL is comprised of the following:

City defined benefit healthcare plan	$ 3,600,967
Transportation Authority defined benefit healthcare plan	229
Successor Agency defined benefit healthcare plan	6,568
Total	$ 3,607,764

The changes in the City OPEB Plan's net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fidicuary Net Position	Net OPEB Liability
Balance at June 30, 2017	$ 3,891,686	$ 174,477	$ 3,717,209
Changes during the measurement period			
Service cost	127,850	-	127,850
Interest	290,029	-	290,029
Differences between expected and actual experience	(385,732)	-	(385,732)
Changes of assumptions	111,119	-	111,119
Contributions - employer	-	203,858	(203,858)
Contributions - member	-	41,682	(41,682)
Net investment income	-	14,105	(14,105)
Benefit payments, including refunds of member contributions	(178,019)	(178,019)	-
Administrative expense	-	(137)	137
Net changes during the measurement period	(34,753)	81,489	(116,242)
Balance at June 30, 2018	$ 3,856,933	$ 255,966	$ 3,600,967

The changes in net OPEB liability for the plans of the Transportation Authority and Successor Agency are as follows:

	Transportation Authority			Successor Agency		
	Total OPEB Liability	Plan Fidicuary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fidicuary Net Position	Net OPEB Liability
Balance at June 30, 2017	$ 1,748	$ 1,503	$ 245	$ 10,262	$ 3,925	$ 6,337
Changes during the measurement period						
Service cost	122	-	122	164	-	164
Interest	129	-	129	701	-	701
Difference between expected and actual experience	(5)	-	(5)	267	-	267
Changes of assumptions	-	-	-	1,572	-	1,572
Contributions:						
Trust deposits	-	85	(85)	-	-	-
Employer - explicit subsidy	-	47	(47)	-	2,145	(2,145)
Employer - implicit subsidy	-	12	(12)	-	-	-
Benefit payments, including refunds of member contributions	(58)	(58)	-	(812)	(812)	
Administrative expense	-	(1)	1	-	(11)	11
Expected investment return	-	112	(112)	-	-	-
Investment experience (loss)/gain	-	7	(7)	-	339	(339)
Net changes during the measurement period	188	204	(16)	1,892	1,661	231
Balance at June 30, 2018	$ 1,936	$ 1,707	$ 229	$ 12,154	$ 5,586	$ 6,568

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense including amortization of deferred outflows/inflows related to OPEB items as follows:

	Primary Government			
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
City defined benefit healthcare plan	$ 191,656	$ 127,181	$ 1,494	$ 320,331
Transportation Authority defined benefit healthcare plan	131	-	-	131
Successor Agency defined benefit healthcare plan	-	-	1,931	1,931
Total OPEB expense	$ 191,787	$ 127,181	$ 3,425	$ 322,393

As of June 30, 2019, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	City Plan		Transportation Authority	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 218,625	$ -	$ 138	$ -
Difference between expected and actual experience	-	330,627	-	5
Changes in assumptions	95,245	-	-	-
Net difference between projected and actual earnings on plan investments	-	3,327	-	29
Total	**$ 313,870**	**$ 333,954**	**$ 138**	**$ 34**

	Successor Agency		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 2,967	$ -	$ 221,730	$ -
Difference between expected and actual experience	182	-	182	330,632
Changes in assumptions	1,065	-	96,310	-
Net difference between projected and actual earnings on plan investments	-	14	-	3,370
Total	**$ 4,214**	**$ 14**	**$ 318,222**	**$ 334,002**

Amounts reported as deferred outflows/inflows will be amortized annually and recognized in OPEB expense as follows:

Year ending June 30:	Deferred Outflows/ (Inflows) of Resources
2020	$ (39,856)
2021	(39,856)
2022	(40,390)
2023	(38,945)
2024	(39,230)
Thereafter	(39,233)
Total	$ (237,510)

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the City Plan's total OPEB liability as of June 30, 2018 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Medical costs: Applied at beginning of calendar year, starting at 6.50% for 2019, grading down to 5.18% in 2028, and decreasing to an ultimate rate of 3.93% in 2076. Vision and expenses trend remains a flat 3.5% for all years
Expected Rate of Return on Plan Assets	7.40%
Discount Rate	7.40%
Salary Increase Rate	Wage Inflation Component: 3.50% Additional Merit Component (dependent on years of service): Police: 1.50% - 8.00% Fire: 1.50% - 15.00% Muni Drivers: 0.00% - 15.00% Craft: 0.00% - 3.50% Misc: 0.00% - 5.25%
Inflation Rate	Wage Inflation: 3.50% compounded annually Consumer Price Inflation: 2.75% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2014.

Healthy Non-Annuitant - CalPERS employee mortality tables without scale BB projection

Gender	Adjustment Factor	Base Year
Female	0.918	2009
Male	0.948	2009

Healthy Annuitants - CalPERS healthy annuitant mortality table without scale BB projection

Gender	Adjustment Factor	Base Year
Female	1.014	2009
Male	0.909	2009

Miscellaneous Disabled Annuitants - RP-2014 Disabled Retiree Tables without MP-2014 projection

Gender	Adjustment Factor	Base Year
Female	1.066	2006
Male	0.942	2006

Safety Disabled Annuitants - CalPERS industrial disability mortality table without scale BB projection

Gender	Adjustment Factor	Base Year
Female	0.983	2009
Male	0.909	2009

The mortality rates in the base tables are projected generationally from the base year using the modified version of the MP-2015 projection scale. The scale was modified using the Society of Actuaries' model implementation tool with rates converging to the ultimate rate in 2017 (instead of 2029) and an ultimate rate of improvement of 0.85% (instead of 1.00%) up to age 85 decreasing to 0.70% (instead of 0.85%) at age 95.

The Transportation Authority net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined using an actuarial valuation as of June 30, 2017. The Successor Agency's net OPEB liability was measured as of June 30, 2018, and the total pension liability used to calculation the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 rolled backed to June 30, 2018 using standard update procedures. A summary of the actuarial assumptions and methods used to calculate the total OPEB liability are as follows:

	June 30, 2018 Measurement Date	
Key Actuarial Assumptions	**Transportation Authority**	**Successor Agency**
Actuarial Valuation Date	June 30, 2017	June 30, 2019
Measurement Date	June 30, 2018	June 30, 2018
Discount Rate	7.28%	6.75%
General Inflation	3.00% per annum	2.75%
Salary Increases	3.25% per annum, in aggregate	3.00%
Investment Rate of Return	7.28%	6.75%
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2015	CalPERS Experience Study for the period from 1997 to 2015
Healthcare Cost Trend Rate	Initial 7% for medicare eligibles, 9% for spouse of medicare eligibles and 4.5% non-medicare eligibles, all grading down to 4%	Pre-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076; Medicare- 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076

Sensitivity of Net OPEB Liabilities to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability for each plan calculated using the healthcare cost trend rate, as well as what the plan's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

	June 30, 2018 (measurement year)		
Plan	**1% Decrease**	**Healthcare Trend**	**1% Increase**
City Defined Benefit Plan	$ 3,129,823	$ 3,600,967	$ 4,185,277
Transportation Authority	(41)	229	572
Successor Agency	5,520	6,568	7,808

Discount Rate

City OPEB Plan - The discount rate used to measure the total OPEB liability as of June 30, 2018 was 7.4%. The projection of cash flows used to determine the discount rate assumed that plan member and employer contributions will continue to be made at the rates specified in the Charter, and disbursements from the RHCTF will continue to be limited by the Charter until it is fully funded. Based on those assumptions, it was determined that the OPEB Plan's fiduciary net position was projected to be available to make all future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return is based on the RHCTF's investment consultant's 10 and 20-year capital market assumptions for the RHCTF's asset allocation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Equities	41.0%	7.3%
Developed Market Equity (non-U.S.)	20.0%	7.1%
Emerging Market Equity	16.0%	9.4%
Credit		
High Yield Bonds	3.0%	5.4%
Bank Loans	3.0%	5.0%
Emerging Market Bonds	3.0%	4.9%
Rate Securities		
Treasury Inflation Protected Securities	5.0%	3.3%
Investment Grade Bonds	9.0%	3.6%
Total	100.0%	

Transportation Authority and Successor Agency - The discount rates used to measure the total OPEB liability of the Transportation Authority and the Successor Agency were 7.28 % and 6.75 %, respectively. The projections of cash flows used to determine the discount rates assumed that Transportation Authority and Successor Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB plans' investments was applied to all periods of projected benefit payments to determine the total OPEB liability of each plan.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

		Long-Term Expected Real Rate of Return	
Asset Class	**Target Allocation**	**Transportation Authority**	**Successor Agency**
Global Equity	57.00%	4.82%	4.82%
Fixed Income	27.00%	1.47%	1.47%
Treasury Inflation Protection Securities	5.00%	1.29%	1.29%
Real Estate Investment Trusts	8.00%	3.76%	3.76%
Commodities	3.00%	0.84%	0.84%
Total	100.00%		

The following presents the net OPEB liability calculated using the discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate for each plan:

	June 30, 2018 (measurement year)		
Plan	1% Decrease 6.40%	Discount Rate 7.40 %	1% Increase 8.40%
City Defined Benefit Plan	$ 4,139,975	$ 3,600,967	$ 3,159,941

	June 30, 2018 (measurement year)		
	1% Decrease 6.28%	Discount Rate 7.28%	1% Increase 8.28%
Transportation Authority	$ 524	$ 229	$ (11)

	June 30, 2018 (measurement year)		
	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Successor Agency	$ 7,866	$ 6,568	$ 5,475

(10) Fund Equity

(a) Governmental Fund Balance

Fund balances for all the major and nonmajor governmental funds as of June 30, 2019, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Imprest Cash, Advances, and Long-Term Receivables..	$ 1,259	$ 140	$ 1,399
Restricted			
Rainy Day	324,977	54,526	379,503
Public Protection			
Police	-	16,375	16,375
Sheriff	-	1,085	1,085
Other Public Protection	-	23,494	23,494
Public Works, Transportation & Commerce	-	342,516	342,516
Human Welfare & Neighborhood Development	-	671,217	671,217
Affordable Housing	-	261,947	261,947
Community Health	-	33,045	33,045
Culture & Recreation	-	239,494	239,494
General Administration & Finance	-	32,462	32,462
Capital Projects	-	471,240	471,240
Debt Service	-	161,704	161,704
Total Restricted	324,977	2,309,105	2,634,082
Committed			
Budget Stabilization	396,760	-	396,760
Recreation and Park Expenditure Savings	803	-	803
Total Committed	397,563	-	397,563
Assigned			
Public Protection			
Police	8,986	2,574	11,560
Sheriff	2,807	2,174	4,981
Other Public Protection	64,992	-	64,992
Public Works, Transportation & Commerce	39,647	55,134	94,781
Human Welfare & Neighborhood Development	119,411	19,458	138,869
Affordable Housing	25,638	-	25,638
Community Health	244,922	-	244,922
Culture & Recreation	14,332	17,115	31,447
General Administration & Finance	53,815	18,185	72,000
General City Responsibilities	35,165	-	35,165
Capital Projects	238,577	-	238,577
Litigation and Contingencies	186,913	-	186,913
Subsequent Year's Budget	326,582	-	326,582
Total Assigned	1,361,787	114,640	1,476,427
Unassigned	631,437	(331)	631,106
Total	$ 2,717,023	$ 2,423,554	$ 5,140,577

(b) General Fund Stabilization and Other Reserves

Rainy Day Reserve

The City maintains a "Rainy Day" or economic stabilization reserve under Charter Section 9.113.5, with separate accounts for the benefit of the City (the "City Reserve") and the San Francisco Unified School District (the "School Reserve"). In any year when the City projects that total General Fund revenues for the upcoming budget year are going to be more than five percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the "excess revenues" in the Rainy Day Reserve. Seventy-five percent of the deposit is placed in the City Reserve and twenty-five percent is placed in the School Reserve. The total amount of money in the Rainy Day Reserve may not exceed ten percent of the City's actual total General Fund revenues. The City may spend money from the City Reserve for any lawful governmental purpose, but only in years when the City projects that total General Fund revenues for the upcoming year will be less than the current year's total General Fund revenues, i.e., years when the City expects to take in less money than it had taken in for the current year. In those years, the City may spend up to half the money in the City Reserve, but no more than is necessary to bring the City's total available General Fund revenues up to the level of the current year. The School District may withdraw up to half the money in the School Reserve when it expects to collect less money per student than the previous fiscal year and would have to lay off a significant number of employees. The School District's Board can override those limits and withdraw any amount in the School Reserve by a two-thirds vote. The City does not expect to routinely spend money from the Rainy Day Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2019-20 through 2023-24.

Budget Stabilization Reserve

The City sets aside as an additional reserve 75 percent of (1) real estate transfer taxes in excess of the average collected over the previous five years, (2) proceeds from the sale of land and capital assets, and (3) ending unassigned General Fund balances. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent, after using the amount legally available from the Rainy Day Reserve. The City, by a resolution of the Board of Supervisors adopted by a two-thirds vote, may temporarily suspend these provisions following a natural disaster that has caused the Mayor or the Governor to declare an emergency, or for any other purpose. The City does not expect to routinely spend money from the Budget Stabilization Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2019-20 through 2023-24.

Recreation and Park Expenditure Savings Reserve

The City maintains a Recreation and Park Expenditure Savings Reserve under Charter Section 16.107, which sets aside and maintains such an amount, together with any interest earned thereon, in the reserve account, and any amount unspent or uncommitted at the end of the fiscal year shall be carried forward to the next fiscal year and, subject to the budgetary and fiscal limitations of the Charter, shall be appropriated then or thereafter for capital and/or facility maintenance improvements to park and recreation facilities and other one-time expenditures of the Park and Recreation Department.

(c) Encumbrances

At June 30, 2019, encumbrances recorded in the General Fund and nonmajor governmental funds were $351.4 million and $538.2 million, respectively.

(d) Restricted Net Position

At June 30, 2019, the government-wide statement of net position reported restricted net position of $2.02 billion in governmental activities and $1.05 billion in business-type activities, of which $26.0 million and $162.9 million are restricted by enabling legislation in governmental activities and business-type activities, respectively.

The City issued general obligation bonds and certificates of participation for the purpose of rebuilding and improving Laguna Honda Hospital. General obligation bonds were also issued for the purpose of reconstructing and improving waterfront parks and facilities on Port property and for the retrofit and improvement work to ensure a reliable water supply (managed by the Water Enterprise) in an emergency or disaster and for certain street improvements managed by the SFMTA. These capital assets are reported in the City's business-type activities. However, the debt service will be paid with governmental revenues and as such these general obligation bonds and certificates of participation are reported with unrestricted net position in the City's governmental activities. In accordance with GASB guidance, the City reclassified $447.7 million of unrestricted net position of governmental activities, of which $396.8 million reduced net investment in capital assets and $50.9 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

(e) Deficit Fund Balances and Net Position

The Senior Citizens Program Fund had a deficit of $0.3 million as of June 30, 2019. The deficit relates to unavailable revenue in various programs, which is expected to be collected beyond 60 days of the end of fiscal year 2019.

The Central Shops and Telecommunications and Information Internal Service Funds had deficits in total net position of $26.1 million and $37.4 million, respectively, as of June 30, 2019, mainly due to the accrual of the net pension and other postemployment benefits liabilities. The operating deficits are expected to be reduced in future years through anticipated rate increases or reductions in operating expenses. The rates are reviewed and updated annually.

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the former Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the Successor Agency on February 1, 2012. At June 30, 2019, the Successor Agency has a deficit of $471.0 million, which will be eliminated with future redevelopment property tax revenues distributed from the Redevelopment Property Tax Trust Fund administered by the City's Controller.

(11) Unavailable Resources in Governmental Funds

The deferred inflows of resources balance in governmental funds as of June 30, 2019 consists of the following unavailable resources:

	General Fund	Other Governmental Funds	Total Governmental Funds
Grant and subvention revenues....	$ 87,794	$ 70,791	$ 158,585
Property tax.....	89,448	11,680	101,128
Teeter Plan.....	23,793	-	23,793
SB 90.....	3,898	-	3,898
Advances to Successor Agency....	-	6,442	6,442
PG&E franchise tax.....	3,477	-	3,477
Loans.....	16,004	90,552	106,556
Total.....	$ 224,414	$ 179,465	$ 403,879

California Senate Bill 90 (SB90), was adopted in 1972 and added to the State Constitution in 1979. When the Governor or Legislature mandates a new program or higher level of service upon local agencies and school districts, SB90 requires the State to reimburse local agencies and school districts for the cost of these new programs or higher levels of service. The balance in deferred inflows of resources is the value of reimbursement claims submitted to the State, which are subject to audit for unallowable costs.

As described in Note 6, under the Teeter Plan the City is allocated secured property tax revenue, which has been billed but not collected. Collections which have not occurred within the availability period are included in deferred inflows of resources in the General Fund.

(12) San Francisco County Transportation Authority

The Transportation Authority was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax were set forth in the San Francisco County Transportation Expenditure Plan (Expenditure Plan), which was approved as part of Proposition B. The Transportation Authority was organized pursuant to Sections 131000 et seq. of the Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990. The Transportation Authority administers the following programs:

Sales Tax Program. On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and

Muni Metro Network; B) construction of the Muni Central Subway (Third Street Light Rail Project–Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the Transportation Authority Board may adopt an updated Expenditure Plan any time after 20 years from the effective date of adoption of the Proposition K Expenditure Plan but no later than the last general election in which the Proposition K Expenditure Plan is in effect. The Sales Tax would continue as long as a new or modified plan is in effect. Under Proposition K legislation, the Transportation Authority directs the use of the Sales Tax and may spend up to $485.2 million per year and may issue up to $1.88 billion in bonds secured by the Sales Tax.

Congestion Management Agency Programs. On November 6, 1990, the Transportation Authority was designated under State law as the Congestion Management Agency (CMA) for the City. Responsibilities resulting from this designation include developing a Congestion Management Program, which provides evidence of the integration of land use, transportation programming and air quality goals; preparing a long-range countywide transportation plan to guide the City's future transportation investment decisions; monitoring and measuring traffic congestion levels in the City; measuring the performance of all modes of transportation; and developing a computerized travel demand forecasting model and supporting databases. As the CMA, the Transportation Authority is responsible for establishing the City's priorities for state and federal transportation funds and works with the Metropolitan Transportation Commission to program those funds to San Francisco projects.

Transportation Fund for Clean Air (TFCA) Program. On June 15, 2002, the Transportation Authority was designated to act as the overall program manager for the local guarantee (40%) share of transportation funds available through the TFCA program. Funds from this program, administered by the Bay Area Air Quality Management District come from a $4 vehicle registration fee on automobiles registered in the Bay Area. Through this program, the Transportation Authority recommends projects that benefit air quality by reducing motor vehicle emissions.

Vehicle Registration Fee for Transportation Improvements Program. On November 2, 2010, San Francisco voters approved Proposition AA with a 59.6% affirmative vote, authorizing the Transportation Authority to collect an additional $10 annual vehicle registration fee on motor vehicles registered in San Francisco and to use the proceeds to fund transportation projects identified in the Expenditure Plan. Revenue collection began in May 2011. Proposition AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues designated for each category over the 30-year Expenditure Plan period is shown in parenthesis for the following category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). The Proposition AA program is a pay-as-you-go program.

Treasure Island Mobility Management Authority (TIMMA). The Treasure Island Transportation Management Act of 2008 (AB 981) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the TIMMA to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141, establishing TIMMA as a legal entity distinct from the Transportation Authority to help firewall the Transportation Authority's other functions. The eleven members of the Transportation Authority Board act as the Board of Commissioners for TIMMA. The Transportation Authority financial statements include TIMMA as a blended special revenue component unit.

(13) Detailed Information for Enterprise Funds

(a) San Francisco International Airport

San Francisco International Airport (the Airport or SFO), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five-member Commission is responsible for the operation, development and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to the 2018 North American Traffic Report from the Airports Council International (ACI), the Airport is the seventh busiest airport in the United States in terms of passengers and fifteenth in terms of cargo tonnage. The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

Revenue Pledge – The Airport has pledged all of the Net Revenues (as defined in bond resolutions adopted by the Airport Commission) to repay the following obligations, when due, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds (Senior Bonds) and a portion of amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, (2) the Subordinate Commercial Paper Notes and any other obligations (Subordinate Bonds) and amounts due to reimburse drawings under the letters of credit securing the Commercial Paper Notes, (3) remaining amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, and (4) interest rate swap termination payments.

During fiscal year 2019, the original principal amount of the Senior Bonds and Commercial Paper Notes issued, principal and interest remaining due on outstanding Senior Bonds and Commercial Paper Notes, principal and interest paid on such obligations, and applicable Net Revenues are as set forth in the table below. There were no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

Bonds issued with revenue pledge	$ 1,763,565
Bond principal and interest remaining due at end of the fiscal year	13,680,347
Bond principal and interest paid in the fiscal year	442,442
Commercial paper issued with subordinate revenue pledge	406,110
Commercial paper principal and interest remaining due at end of the fiscal year	3,588
Commercial paper principal, interest and fees paid in the fiscal year	5,515
Net revenues	539,913

In addition, pursuant to the Hotel Trust Agreement, the Airport has pledged all of the on-Airport Hotel and certain other assets pledged under the Hotel Trust Agreement, to repay the Hotel Special Facility Bonds. This pledge is in force so long as the Hotel Special Facility Bonds are outstanding. The Hotel Special Facility Bonds mature in fiscal year 2058.

Reserves and Debt Service Requirement **–** Under the terms of the 1991 Master Bond Resolution, the Airport may establish one or more reserve accounts with different reserve requirements to secure one or more series of Senior Bonds. Accordingly, the Airport has established three reserve accounts in the Reserve Fund: the Issue 1 Reserve Account, the 2009 Reserve Account, and the 2017 Reserve Account, all held by the trustee for the Senior Bonds. The reserve requirement for the Issue 1 Reserve Account is equal to the maximum annual debt service accruing in any year during the life of all participating series of bonds secured by the Issue 1 Reserve Account. The reserve requirement for each series of Senior Bonds secured by the 2009 Reserve Account (each a 2009 Reserve Series) is the lesser of: (i) maximum annual debt service for such series of 2009 Reserve Series Bonds, (ii) 125% of average annual debt service for such series of 2009 Reserve Series Bonds, and (iii) 10% of the outstanding principal amount of such series (or allocable issue price of such series if such series is sold with more than a de minimis (2%) amount of original issue discount), in each case as determined from time to time. With respect to all 2009 Reserve Series, the reserve requirement is the aggregate of such

amounts for each individual series. As of June 30, 2019, only the Series 2009C and 2010D Bonds are secured by the 2009 Reserve Account. The reserve requirement for the 2017 Reserve Account is equal to the lesser of: (i) the maximum amount of aggregate annual debt service for all 2017 Reserve Series Bonds in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of the 2017 Reserve Series Bonds, (ii) 10% of the outstanding aggregate principal amount of all 2017 Reserve Series Bonds (provided that the issue price of a Series of 2017 Reserve Series Bonds will be used in this calculation if such Series was sold with an original issue discount that exceeded 2% of the principal of such Series on its original date of sale), and (iii) 125% of the average aggregate annual debt service for all 2017 Reserve Series Bonds. As of June 30, 2019, only the Series 2017C, 2017D, 2018A, 2019B, and 2019D Bonds are secured by the 2017 Reserve Account. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of Senior Bonds, or may issue Senior Bonds without a reserve account.

While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified levels of insurance or self-insurance.

Under the terms of the 1991 Master Bond Resolution, the Airport has covenanted that it will establish and at all times maintain rentals, rates, fees, and charges for the use of the Airport and for services rendered by the Airport so that:

(i) Net revenues in each fiscal year will be at least sufficient (i) to make all required debt service payments and deposits in such fiscal year with respect to the bonds, any subordinate bonds, and any general obligation bonds issued by the City for the benefit of the Airport and (ii) to make the annual service payment to the City, and

(ii) Net revenues, together with any transfer from the Contingency Account to the Revenue Account (both held by the City Treasurer), in each fiscal year will be at least equal to 125% of aggregate annual debt service with respect to the bonds for such fiscal year.

The methods required by the 1991 Master Bond Resolution for calculating debt service coverage differs from GAAP used to determine amounts reported in the Airport's financial statements.

Passenger Facility Charges –The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of $4.50 or $3.00 for each enplaned passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. As of June 30, 2019, the FAA has approved Airport applications (PFC #2 to PFC #8) for collection and use with a total cumulative collection amount of $2.1 billion. The final charge expiration date is estimated to be March 1, 2029. The Airport is working with the FAA to close PFC #3 and the charge effective date for PFC #5 from January 1, 2017 to November 1, 2013, because PFC #3 was fully collected earlier than originally anticipated due to increased passenger levels. Additionally, PFC #6 and PFC #7 have been closed and consolidated into the new commingled PFC #8. For the year ended June 30, 2019, the Airport reported approximately $110.9 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

Commitments and Contingencies – On February 26, 2019, the Airport issued San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 2019A (AMT) and Series 2019B (Federally Taxable) (the "Fuel Bonds"), in an aggregate principal amount of $125.0 million to refund all of the then-outstanding special facilities lease revenue bonds previously issued by the Commission for the benefit of SFO FUEL COMPANY LLC (SFO Fuel), finance capital improvements to the jet fuel distribution and related facilities at San Francisco International Airport, pay capitalized interest on a portion of the Series 2019A Bonds, make a deposit to a reserve

account for the Fuel Bonds, and pay costs of issuance. SFO Fuel, a special purpose limited liability company formed by certain airlines operating at the Airport, is required to pay facilities rent to the Airport pursuant to a lease agreement between the Commission and SFO Fuel with respect to the on-Airport jet fuel distribution facilities in an amount equal to debt service payments on the Fuel Bonds and any required bond reserve account deposits. The principal and interest on the Fuel Bonds are paid solely from the facilities rent payable by SFO Fuel to the Airport. The lease payments, and therefore the Fuel Bonds, are payable from charges imposed by SFO Fuel on air carriers for into-plane fueling at the Airport and are not payable from or secured by the Net Revenues of the Airport. The Airport assigned its right to receive the facilities rent to the Fuel Bonds trustee to pay and secure the payment of the Fuel Bonds. Neither the Airport nor the City is obligated in any manner for the repayment of the Fuel Bonds other than from the facilities rent received from SFO Fuel. The Fuel Bonds are therefore not reported in the accompanying financial statements.

Purchase commitments for construction, material and services as of June 30, 2019 are as follows:

Construction	$ 246,778
Operating	32,503
Total	$ 279,281

Transactions with Other Funds – Pursuant to the Lease and Use Agreement between the Airport and most of the airlines operating at the Airport, the Airport makes an annual service payment to the City's General Fund equal to 15% of concession revenue (net of certain adjustments), but not less than $5.0 million per fiscal year, in order to compensate the City for all indirect services provided to the Airport. The annual service payment for the year ended June 30, 2019 was $49.1 million and was recorded as a transfer. In addition, the Airport compensates the City's General Fund for the cost of certain direct services provided by the City to the Airport, including those provided by the Police Department, Fire Department, City Attorney, City Treasurer, City Controller, City Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2019, was $171.3 million.

Business Concentrations - In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. For the year ended June 30, 2019, revenues realized from the following Airport tenant exceeded five percent of the Airport's total operating revenues:

United Airlines 23.8%

(b) Port of San Francisco

A five-member Port Commission is responsible for the operation, development, and maintenance activities of the Port of San Francisco (Port). In February 1969, the Port was transferred in trust to the City under the terms and conditions of State legislation ("Burton Act") ratified by the electorate of the City. Prior to 1969, the Port was operated by the State of California. The State retains the right to amend, modify or revoke the transfer of lands in trust provided that it assumes all lawful obligations related to such lands.

Pledged Revenues – The Port's revenues, derived primarily from property rentals to commercial and industrial enterprises and from maritime operations, which include cargo, ship repair, fishing, harbor services, cruise and other maritime activities, are held in a separate enterprise fund and appropriated for expenditure pursuant to the budget and fiscal provisions of the City Charter, consistent with trust requirements. Under public trust doctrine, the Burton Act, and the transfer agreement between the City and the State, Port revenues may be spent only for uses and purposes of the public trust.

The Port pledged future net revenues to repay its revenue bonds. Annual principal and interest payments through 2044 are expected to require less than 11% of net pledged revenues as calculated in accordance with the bond indenture. The total principal and interest remaining to be paid on the bonds is $83.1 million. The principal and interest payments made in 2019 were $4.2 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2019, were $38.9 million.

The Port has entered into a loan agreement with the California Division of Boating and Waterways for $3.5 million to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and is secured by gross revenues as defined in the loan agreement. Total principal and interest remaining to be paid on this loan is $2.3 million. Annual principal and interest payments were $0.23 million in 2019 and pledged harbor revenues were $0.2 million for the year ended June 30, 2019.

Commitments and Contingencies – The Port is presently planning various development and capital projects that involve a commitment to expend significant funds. As of June 30, 2019, the Port's purchase commitments for construction-related services, materials and supplies, and other services were $21.2 million for capital projects and $4 million for general operations.

Transactions with Other Funds – The Port receives from, and provides services to, various City departments. In fiscal year 2019, the $18.7 million in services provided by other City departments included $2.8 million of insurance premiums and $0.6 million in workers' compensation expense.

In connection with the planning phase of the Seawall Resiliency Project, which commenced July 2016, the Port received $0.3 million from the City and $0.3 million from the Planning Department in support of the project.

On September 27, 2018, the Port and Mayor's Office of Housing and Community Development (MOHCD) entered into a Memorandum of Understanding to implement the affordable housing development project at the Seawall Lot 322-1 ("88 Broadway"). MOHCD agreed to pay the Port the fair market value for the property in the amount of $14.9 million from any source funds available to MOHCD. If MOHCD does not pay the Port the full fair market value as of the date or Ground Lease closing, interest will accrue on the unpaid amounts at a rate of 1.5% simple interest per annum during the first two (2) years and at a rate of 3% per annum thereafter until the date of payment in full. At June 30, 2019, the Port is due a total of $15.0 million from MOHCD. In March 2019, the Port entered into a Ground Lease with a developer. The Ground Lease has a term of fifty-seven years plus one eighteen year extension option (a 75-year maximum term but with expiration no later than December 31, 2105). The lease revenues are being amortized over the 75-year maximum term of the lease. At June 30, 2019, the Port has a noncurrent unearned revenue balance in the amount of $14.5 million related to this Ground Lease. In addition to the payment by MOHCD, the Developer will be required to make lease payments representing a share of any cash flow generated by commercial activities.

The Port and Department of Building Inspection (DBI) entered into an MOU dated May 7, 2018 to provide plan review and field inspection in accordance with San Francisco Building Code on projects enforced by the Port. As of June 30, 2019, the Port accrued a liability payable to DBI in the amount of $0.6 million for the 88 Broadway project.

In December 2017, the Port and the San Francisco Fire Department (SFFD) entered into a MOU for the use of water, apron, shed and office space at Pier 26 for berthing and servicing of fire boats for five years and on a month-to-month basis afterward. To facilitate these uses, SFFD repaired apron decking, replaced the fender system within the leasehold area and upgraded electrical services to Pier 26. In return, the Port allowed SFFD to apply hundred percent rent credits toward the lease payments until all

required capital improvements, approximately $2.3 million, are fully offset. As of June 30, 2019, rent credits of $0.4 million have been provided to SFFD.

South Beach Harbor Project Commitments – On May 1, 2019, OCII transferred South Beach Harbor operations to the Port. Under San Francisco Bay Conservation and Development Commission (BCDC) Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements were to be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that the required uncompleted work would cost approximately $7.9 million. The Port has worked with the water recreation community to develop an alternative public access improvement proposal for BCDC consideration. Port management believes that the alternative proposal will provide significant public access improvements that are relevant to the project area and at a lower cost. The Port is seeking an extension of time from BCDC to complete the amended project work.

Pollution Remediation Obligations – The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable GAAP, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination. As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods current estimates of environmental liabilities could materially change.

Port lands are subject to environmental risk elements typical of sites with a mix of light industrial activities dominated by transportation, transportation-related and warehousing activities. Due to the historical placement of fill of varying quality, and widespread use of aboveground and underground tanks and pipelines containing and transporting fuel, elevated levels of petroleum hydrocarbons and lead are commonly found on Port properties. Consequently, any significant construction, excavation or other activity that disturbs soil or fill material may encounter hazardous materials and/or generate hazardous waste.

A 69-acre area commonly known as "Pier 70" has been used for over 150 years for iron and steel works, ship building and repair, and other heavy industrial operations. Much of the site was owned and/or occupied by the U.S. Navy or its contractors for at least 60 years. A long history of heavy industrial use has turned this area into a "brownfield" – an underutilized property area where reuse is hindered by actual or suspected contamination. Fifteen acres remain occupied by an on-going ship repair facility. Environmental conditions exist that require investigation and remediation prior to any rehabilitation or development for adaptive reuse. The lack of adequate information about environmental conditions has hindered previous development proposals for Pier 70.

Investigation work completed in 2011 reduced the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan. The Regional Water Quality Control Board approved the Risk Management Plan in January 2014. The Risk Management Plan provides institutional controls (e.g. use restrictions, health and safety plans) and engineering controls (e.g. capping contaminated soil) to protect current and future users and prevent adverse impact to the environment. The Risk Management Plan specifies how future development, operation, and maintenance will implement the remedy, by covering existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil.

Previous investigation of the northeast shoreline of Pier 70, in an area for development as the future "Crane Cove Park", found that near-shore sediment is contaminated with metals, petroleum hydrocarbons and polychlorinated biphenyls at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development

of the area for public access and recreation. In 2018, the Port entered into a disposition and development agreement with a developer for the 28-acre Waterfront Site. The developer assumes substantial responsibility for capping contaminated soil in the project area according to a Risk Management Plan. The remaining accrued cost for pollution remediation at Pier 70, represents the estimated contract value for the soil cap between Crane Cove Park and the shipyard and a sediment cap underwater northwest of the shipyard, is estimated at $4.1 million at June 30, 2019.

Other environmental conditions on Port property include asbestos and lead paint removal and oil contamination. The Port may be required to perform certain clean-up work if it intends to develop or lease such property, or at such time as may be required by the City or State.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30, 2019, is as follows:

	Environmental Remediation	Miscellaneous Compliance	Total
Environmental liabilities at July 1, 2018	$ 3,000	$ 44	$ 3,044
Current year claims and changes in estimates	1,105	-	1,105
Environmental liabilities at June 30, 2019	$ 4,105	$ 44	$ 4,149

(c) San Francisco Water Enterprise

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. In fiscal year 2019, the Water Enterprise sold water, approximately 67,319 million gallons annually, to a total population of approximately 2.7 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission (Commission), established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy and CleanPowerSF), and the San Francisco Wastewater Enterprise. Under Proposition E, the City's Charter Amendment approved by the voters in June 2008, the Mayor nominates candidates subject to qualification requirements to the Commission and the Board of Supervisors votes to approve the nominees by a majority (at least six members).

Pledged Revenues – The Water Enterprise has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from revenues of the Water Enterprise and are payable through fiscal year 2051.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2019 and applicable revenues for 2019 are as follows:

Bonds issued with revenue pledge	$ 4,746,890
Bond principal and interest remaining due at end of the fiscal year	7,727,793
Bond principal and interest paid in the fiscal year	261,638
Net revenues	311,619
Funds available for revenue debt service	532,981

Water Balancing Account – During fiscal year 2019, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was $253.2 million. Such amounts are subject to final review by wholesale customers, along with a trailing wholesale balancing account compliance audit of the wholesale revenue requirement calculation. As of June 30, 2019, the City owed the Wholesale Customers $64.8 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2019, the Water Enterprise had outstanding commitments with third parties of $237.7 million for various capital projects and for materials and supplies.

Environmental Issue – As of June 30, 2019, the total pollution remediation liability was $2.2 million, consisting of $1.3 million for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area, and $0.9 million for the 17th and Folsom site.

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and electricity from Hetch Hetchy Power at market rates. These amounts, totaling approximately $33.6 million and $9.5 million, respectively, for the year ended June 30, 2019, are included in the operating expenses for services provided by other departments in the Water Enterprise's financial statements.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Water Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $16.6 million for the year ended June 30, 2019 and have been included in services provided by other departments.

(d) Hetch Hetchy Enterprise

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy or the Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City. In May 2016, the City launched CleanPowerSF to provide green electricity from renewable sources to its residential and commercial customers. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (aka the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewables.

Approximately 73.8% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the SFMTA, the Recreation and Park Department, the Port, the Airport and its tenants, SFGH, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 26.2% balance of electricity is sold to CleanPowerSF and other utility districts. As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the Districts to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the California Independent System Operator (CAISO). Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, state and federal power matters before the California Public Utilities Commission (CPUC), the CAISO, and the Federal Energy

Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

Segment Information – Hetch Hetchy Power issued debt to finance its improvements. The Hetch Hetchy Water fund, the Hetch Hetchy Power fund, and CleanPowerSF fund are reported for in a single enterprise (i.e., Hetch Hetchy Enterprise). CleanPowerSF is presented as a fund of the Enterprise beginning in the year ended 2017. However, investors in the debt rely solely on the revenue generated by the individual activities for repayment. Summary financial information for Hetch Hetchy is presented below:

Condensed Statements of Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Elimination	Total
Assets*:					
Current assets	$ 81,599	$ 205,666	$ 63,044	$ -	$ 350,309
Receivables from other funds and component units	-	13,581	-	(3,731)	9,850
Noncurrent restricted cash and investments	12,673	19,195	-	-	31,868
Other noncurrent assets	160	780	-	-	940
Capital assets	149,103	401,528	-	-	550,631
Total assets	243,535	640,750	63,044	(3,731)	943,598
Deferred outflows of resources:					
Pensions	6,447	7,879	339	-	14,665
Other postemployment benefits	1,343	1,641	108	-	3,092
Total deferred outflows of resources	7,790	9,520	447	-	17,757
Liabilities:					
Current liabilities	6,726	82,314	17,056	-	106,096
Noncurrent liabilities	38,123	115,761	6,116	(3,731)	156,269
Total liabilities	44,849	198,075	23,172	(3,731)	262,365
Deferred inflows of resources:					
Pensions	3,874	4,734	203	-	8,811
Other postemployment benefits	1,429	1,746	115	-	3,290
Total deferred inflows of resources	5,303	6,480	318	-	12,101
Net position:					
Net investment in capital assets	149,103	301,534	-	-	450,637
Restricted for debt service	-	1,145	-	-	1,145
Restricted for capital projects	8,401	-	-	-	8,401
Unrestricted	43,669	143,036	40,001	-	226,706
Total net position	$ 201,173	$ 445,715	$ 40,001	$ -	$ 686,889

*Certain amounts presented herein have been reclassified from the Statement of Net Position.

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Operating revenues	$ 34,005	$ 143,561	$ 167,820	$ 345,386
Depreciation expense	(5,380)	(14,484)	-	(19,864)
Other operating expenses	(44,925)	(108,204)	(137,284)	(290,413)
Operating income (loss)	(16,300)	20,873	30,536	35,109
Nonoperating revenues (expenses):				
Federal and state grants	2,984	406	-	3,390
Interest and investment income	2,670	6,883	735	10,288
Interest expense	-	(2,936)	(130)	(3,066)
Other nonoperating revenues net of expenses	29	9,373	-	9,402
Transfers in (out), net	20,000	4,490	-	24,490
Change in net position	9,383	39,089	31,141	79,613
Net position at beginning of year	191,790	406,626	8,860	607,276
Net position at end of year	$ 201,173	$ 445,715	$ 40,001	$ 686,889

Condensed Statements of Cash Flows	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Net cash provided by (used in):				
Operating activities	$ (6,191)	$ 33,091	$ 12,522	$ 39,422
Noncapital financing activities	20,156	13,138	-	33,294
Capital and related financing activities	(22,698)	(51,650)	-	(74,348)
Investing activities	1,274	5,315	428	7,017
Increase (decrease) in cash and cash equivalents	(7,459)	(106)	12,950	5,385
Cash and cash equivalents at beginning of year	97,117	211,275	12,465	320,857
Cash and cash equivalents at end of year	$ 89,658	$ 211,169	$ 25,415	$ 326,242

Pledged Revenues – Hetch Hetchy Power has pledged future power revenues to repay the 2008 Clean Renewable Energy Bonds (CREBs), the 2011 Qualified Energy Conservation Bonds (QECBs), the 2012 New Clean Renewable Energy Bonds (NCREBs), and the 2015 NCREBs. Additionally, Hetch Hetchy Power has pledged future power revenues for 2015 Series AB power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. The Series 2015 AB power revenue bonds are payable through fiscal year 2046 and are solely payable from net revenues of Hetch Hetchy Power on a senior lien basis to the 2008 CREBs, the 2011 QECBs, the 2012 NCREBs, and the 2015 NCREBs.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, during fiscal year 2019, and applicable revenues for 2019 are as follows:

Hetch Hetchy Power	
Bonds issued with revenue pledge	$ 64,871
Bond principal and interest remaining due at end of the fiscal year	81,570
Bond principal and interest paid in the fiscal year*	4,784
Net revenues	39,798
Funds available for revenue debt service	71,013

* Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 series AB power revenue bonds, which has a senior lien on power enterprise revenues; principal and interest paid during the year for the 2015 Series AB power revenue bonds was $2,569.

Commitments and Contingencies – As of June 30, 2019, Hetch Hetchy had outstanding commitments with third parties of $96.5 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy Water
To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's operating expenses. Total payments were $5.7 million in fiscal year 2019. The payments are to be made for the duration of the license but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries, in the lower Tuolumne River, for the duration of the license. A maximum monitoring expense of $1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52.0% and the Districts are responsible for 48.0% of the costs.

Hetch Hetchy Power
In April 1988, Hetch Hetchy Power entered into two separate long-term power sales agreements (the Agreement) with the two irrigation districts, the MID and TID, which expired June 30, 2015. In April 2015, the City approved the extension of both agreements for one year to June 30, 2016. A second extension agreement was subsequently approved to extend both agreements for an additional year to June 30, 2017, with an automatic six-month extension through December 31, 2017. Terms and conditions for the MID extension agreement were the same as the original agreement. The second extension agreement for TID removed the District's rights to excess energy from the project and terminated those conditions with the first extension agreement on June 30, 2016. Extended agreements for MID and TID expired on December 31, 2017. Hetch Hetchy will continue to comply with the Raker Act by making generated hydropower available at cost to MID and TID for their agricultural pumping and municipal loads as energy from its project is available after meeting Hetch Hetchy's municipal load obligations. There were no sales to the Districts in fiscal year 2019 primarily due to purchase agreement with MID and TID ended on December 31, 2017.

In 1987, the City entered into an interconnection agreement with PG&E to provide transmission, distribution, and other support services for the City's use of PG&E's transmission and distribution system to deliver the City's Hetchy power and purchases to the City's customers. The renegotiated agreement in 2007 expired on July 1, 2015. In December 2014, PG&E filed several separate replacement service and facilities agreements with the FERC for its approval. By FERC order, the City is currently taking transmission service on PG&E's transmission system using the CAISO Open-Access Transmission Tariff and is taking distribution service under PG&E's Wholesale Distribution Tariff pursuant to PG&E's replacement agreements, but subject to waiver of certain terms and conditions and subject to refund by PG&E, pending the FERC's final decision. During fiscal year 2019, Hetch Hetchy Power purchased $10.4 million of distribution services and other support services from PG&E under the terms of the replacement agreements and the 1987 Interconnection Agreement.

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal year 2019, Hetchy Power purchased $8.3 million of power and other related products. There was no excess power sales after meeting Hetch Hetchy's obligations in fiscal year 2019.

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year Power Purchase Agreement (PPA) with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility. The PPA sets the purchase price of generated energy at $235/MWh, increased by 3.0% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2019, the facility generated 6,427 MWh and rate was at $306/MWh.

In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120.0% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50.0% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal year 2019, purchases of energy under the PPA were $2.0 million or 6,427 MWh.

CleanPowerSF
CleanPowerSF launched in May 2016 and entered into contracts with Calpine Energy Services L.P. (Calpine) and Shiloh I Wind Project LLC (Shiloh) to purchase renewable and conventional energy and resource adequacy capacity to meet its retail sales obligations. Both contracts feature 10-year master

agreements under which multiple transactions may be executed. CleanPowerSF has executed two multi-year transactions with Calpine (three-year term) and Shiloh (five-year term). The Calpine requires a reserve balance of $2.7 million as of June 30, 2019, which is equivalent to two months' worth of estimated payment. As of June 30, 2019, total electricity purchased from Calpine and Shiloh were $34.3 million.

Since its launch, CleanPowerSF has added multiple short-term and medium-term contracts to purchase renewable, carbon-free and conventional energy and resource adequacy capacity, as well as long-term contracts for renewable energy with sPower and Terra-Gen. These contracts have been entered to allow CleanPowerSF to both meet its existing retail sales obligations and to support future retail sales from the citywide expansion of the CleanPowerSF program. Citywide enrollment was substantively completed with the enrollment of residential accounts in April 2019. The total power purchase cost, net of wholesale sales in fiscal year 2019 equaled $119.9 million. The total contract cost of long-term renewable energy contracts with sPower (a 22-year contract starting delivery in July 2019) and Terra-Gen (a 15-year contract starting delivery in December 2020) are $219.2 million and $102.3 million, respectively, over each contract's term. Additional short-term and medium-term contracts (of commitments ranging from less than 1 year to 5 years) for renewable, carbon-free and conventional energy and resource adequacy capacity executed during 2019 totaled $44.6 million.

CleanPowerSF entered into contract with a third-party data management, billing administration, and customer care services provider in November 2015 for a three-year term, not to exceed $5.6 million. During fiscal year 2019, amounts paid were $2.6 million.

In March 2018, CleanPowerSF entered into a five-year, $75 million Credit Agreement with J.P. Morgan Chase in order for the program to secure letters of credit to guarantee certain payment obligations of CleanPowerSF and to meet working capital needs of CleanPowerSF, if necessary. The Credit Agreement is secured by CleanPowerSF net revenues; there is no pledge of or lien on CleanPowerSF net revenues that ranks senior to the obligations of the Credit Agreement. The letters of credit, issued by J.P. Morgan Chase, were in the amount of $21.4 million as of June 30, 2019. There was no draw against the Credit Agreement during fiscal year 2019.

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and power from Hetch Hetchy Power. Included in the operating revenues are the water assessment fees totaling $33.6 million and purchased electricity for $9.5 million for the year ended June 30, 2019. The water assessment fees represent a recovery to fund upcountry, water related costs that are not otherwise funded through water-related revenue. During fiscal year 2019, $33.6 million of the water assessment fees were received from the Water Enterprise. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling $10.9 million for the year ended June 30, 2019. Included in 2019 operating revenues are sales of power to departments within the City of $97.7 million.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy and charge amounts designed to recover those departments' costs. These charges total approximately $11.7 million for the year ended June 30, 2019 and have been included in services provided by other departments.

As of June 30, 2019, operating expenses in purchase of power from Hetchy Power to CleanPowerSF were $3.0 million.

CleanPowerSF received program support services from Hetchy Power. This amount totaled $1.8 million for the year ended June 30, 2019.

(e) San Francisco Municipal Transportation Agency

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors who are appointed by the Mayor and Board of Supervisors. The SFMTA's financial statements include the entire San Francisco's (the City's) surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and off and on street parking, regulation of the taxi industry, and two nonprofit parking garage corporations operated by separate nonprofit corporations, whose operations are interrelated.

The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter of the City (the Charter) in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department, and to provide the Transportation System with the resources, independence, and focus necessary to improve transit service and the City's transportation system. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenue to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A), which provided $500 million in General Obligation Bonds for transportation and street infrastructure; and (4) in 2014 (Proposition B), which increases general fund allocation to SFMTA based on the City's population increase.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area and eighth largest system in the United States. It currently has more than 223 million boardings annually. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 21 City-owned garages and 18 metered parking lots.

In the beginning of fiscal year 2018, three nonprofit corporations provided operational oversight to four garages, namely Japan Center, Sutter-Stockton, Union Square, and Portsmouth. Of these four garages, Portsmouth and Union Square garages are owned by the Recreation and Park Department but managed by the SFMTA. In February 2018, Uptown Parking Corporation was dissolved and all operations and financial reporting of the Sutter-Stockton have been transferred to Sustainable Streets. Union Square garage is still managed by SFMTA but the financial reporting has been transferred to the Recreation and Park Department. The activities of the two remaining nonprofit garages are accounted for in the parking garages account.

Pledged Revenue – In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors. The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable from all SFMTA operating revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2047.

Annual principal and interest payments for fiscal year 2019 were 22.6% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2019, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	$ 387,670
Bond principal and interest remaining due at end of the fiscal year	544,664
Net revenues	84,685
Bond principal and interest paid in the fiscal year	24,691
Funds available for revenue bond debt service	109,376

Operating and Capital Grants and Subsidies – The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of SFMTA as determined by the City's budgetary accounting procedures and subject to the appropriation process. The amount of General Fund subsidy to the SFMTA was $527.5 million in fiscal year 2019. The General Fund subsidy includes a total revenue baseline transfer of $408.7 million, as required by the City Charter. Out of the $408.7 million baseline transfer this year, $38.1 million is related to the Educational Revenue Augmentation Fund (ERAF) supplemental appropriation. In addition, SFMTA received $68.8 million from an allocation of the City's parking tax. Proposition B, approved by the voters in November 2014, provides additional City General Funds to address transportation needs tied to the City population growth. In fiscal year 2019, SFMTA received $47 million from this source. In fiscal year 2019, SFMTA also received additional City General Fund allocation of $3 million to fund various capital projects such as the UCSF platform extension and crossover track, Vision Zero and Lombard tolling study.

The SFMTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds, diesel fuel, and sales tax allocations. As of June 30, 2019, the SFMTA had various operating grants receivable of $34.3 million. In fiscal year 2019, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of $2 million, and other federal, state, and local grants of $11.7 million, to fund project expenses that are operating in nature.
Proposition 1B is a 10-year $20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) and the Transit Security & Safety Account that are funding solely for public transit projects. The SFMTA received cash totaling $3.1 million in fiscal year 2019 for different projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2017 for funds awarded between fiscal years 2008 and 2010. The Budget Act of 2013 extended the date to June 30, 2018. Subsequently, the Budget Act of 2014 reappropriated the remaining balances of fiscal years 2009, 2010, and 2011 to be further extended to June 30, 2019, and the remaining balance of fiscal year 2015 to be further extended to June 30, 2020. The recent approval of the California state budget extended the remaining balances of fiscal year 2010 and 2012 to June 30, 2021 and the remaining balances of fiscal years 2015, 2016, and 2017 to June 30, 2022. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal year 2019, $6.1 million in drawdowns were made from the funds for various eligible projects costs. Other allowable costs include incidental expenses, but directly related to construction or acquisition including, but not limited to, planning, engineering, construction management, architectural and other design work, environmental impact reports and assessments, required mitigation expenses, appraisals, legal expenses, site acquisitions, necessary easements, and warranties, as approved by Cal OES. Indirect costs and management and administration are not allowable costs with Propostion1B funds.

Commitments and Contingencies – The SFMTA has outstanding commitments of approximately $422.2 million with third parties for various capital projects. Grant funding is available for the majority of this amount. The SFMTA also has outstanding commitments of approximately $53.7 million with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures.

Leveraged Lease-Leaseback of BREDA Vehicles – Tranches 1 and 2
In April 2002 and in September 2003, following the approval of the Federal Transit Administration, SFMTA Board of Directors, and the City's Board of Supervisors, Muni entered into separate leveraged lease-leaseback transactions for over 118 and 21 Breda light rail vehicles (the Tranche 1 and Tranche 2 Equipment, respectively, and collectively, the "Equipment"). Each transaction, also referred to as a "sale-in-lease-out" or "SILO", was structured as a head lease of the Equipment to a special purpose trust and a sublease of the Equipment back from such trust. Under each sublease, Muni retained an option to purchase the Equipment on specified dates between November 2026 through January 2030 in the case of the Tranche 1 Equipment and in January 2030 in the case of the Tranche 2 Equipment. During the terms of the subleases, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

Muni received an aggregate of $388.2 million and $72.6 million, respectively, in 2002 and 2003, from the equity investors in full prepayment of the head leases. Muni deposited a portion of the prepaid head lease payments into separate escrows that were invested in U.S. agency securities with maturities that correspond to the purchase option dates for the Equipment as specified in each sublease. Muni also deposited a portion of the head lease payments with a debt payment undertaker whose repayment obligations are guaranteed by Assured Guaranty Municipal Corp. (AGM) as successor to Financial Security Assurance (FSA), a bond insurance company, that was rated "AAA" by Standard & Poor's ("S&P") and "Aaa" by Moody's Investor Services ("Moody's") at the time the Tranche 1 and Tranche 2 Equipment transactions were entered into. Although these escrows do not represent a legal defeasance of Muni's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that Muni will need to access other monies to make sublease payments. Therefore, the assets and the sublease obligations have not been recorded on the financial statements of the SFMTA.

As a result of the cash transactions above, Muni recorded $35.5 million and $4.4 million in fiscal years 2002 and 2003, respectively, representing the difference between (a) the amounts received of $388.2 million and $72.6 million, and (b) the amounts of $352.7 million and $67.5 million paid to the escrows, the debt payment undertaker and for certain transaction expenses. These amounts have been classified as deferred inflows of resources and amortized over the life of each sublease unless the purchase option is executed or the sublease is otherwise terminated before its expiration date.

Prior to fiscal year 2019, six of the seven lease transactions had been terminated. On October 26, 2018, SFMTA terminated its one remaining leveraged lease transaction. The deferred inflows of resources amortized amount was $3.7 million in fiscal year 2019 upon the lease termination.

(f) Laguna Honda Hospital

General Fund Subsidy - The Laguna Honda Hospital (LHH) is a skilled nursing facility which specializes in serving elderly and disabled residents. The operations of LHH are subsidized by the City's General Fund. It is the City's policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2019, the subsidy for LHH was $135.1 million.

Net Patient Services Revenue - Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals and bad debt. These allowances are based on current payment rates, including per diems, Diagnosis-Related Group (DRG) reimbursement amounts and payment received as a percentage of gross charges.

Third-Party Payor Agreements - LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. LHH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2019, LHH's patient receivables and charges for services were as follows (in thousands):

Patient Receivables, net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 74,520	$ 4,360	$ 2,284	$ 81,164
Less:				
Provision for bad debt and contractual allowances	(48,962)	(2,865)	(1,501)	(53,328)
Total, net	$ 25,558	$ 1,495	$ 783	$ 27,836

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Revenue	$432,979	$ 22,737	$11,911	$ 467,627
Less:				
Bad debt write-offs and contractual adjustments	(258,078)	(18,230)	(11,744)	(288,052)
Total, net	$174,901	$ 4,507	$ 167	$ 179,575

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, 2019, LHH accrued and recognized $31.1 million of revenue as a result of matching federal funds to local funds.

Unearned Credits and Other Liabilities - As of June 30, 2019, LHH recorded approximately $46.6 million in other liabilities for third-party payor settlements payable.

Transactions with Other Funds – A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to LHH and charge amounts designed to recover those departments' costs. These charges totaled $12.2 million for the year ended June 30, 2019 and have been included in services provided by other departments.

As of June 30, 2019, LHH has entered into various purchase contracts totaling $0.2 million that are related to the old building remodel phase of the Replacement Project.

(g) San Francisco General Hospital

General Fund Subsidy - San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2019, the subsidy for SFGH was $115.8 million.

Net Patient Service Revenue - Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractual adjustments, bad debt, and administrative write-offs. These allowances are based on current payment rates, including per diems, DRG amounts and payment received as a percentage of gross charges.

Third-Party Payor Agreements - SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Section 1115 Medicaid Waiver and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. SFGH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2019, SFGH's patient receivables and charges for services were as follows (in thousands):

Patient Receivables, Net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 313,357	$ 199,552	$ 141,250	$ 654,159
Less:				
Contractual Allowances	(288,966)	(185,825)	(82,414)	(557,205)
Provision for Bad Debt	-	-	(35,664)	(35,664)
Total, Net Accounts Receivable	$ 24,391	$ 13,727	$ 23,172	$ 61,290

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue	$ 2,063,429	$ 1,025,416	$ 993,071	$ 4,081,916
Less:				
Contractual Adjustment	(1,838,499)	(858,424)	(437,565)	(3,134,488)
Bad Debt Write Off	-	-	(127,103)	(127,103)
Total, Net Patient Service Revenue	$ 224,930	$ 166,992	$ 428,403	$ 820,325

California's initial Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. The Waiver is intended to help sustain the State's Medicaid Program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform. Under the Waiver, payments for public hospitals are comprised of: 1) fee-for-service (FFS) cost-based reimbursements for inpatient hospital services; 2) Medi-Cal Disproportionate Share Hospital (DSH) payments; 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) Delivery System Reform Incentive Program (DSRIP); and 5) the Low Income Health Program (LIHP). The non-federal share of these payments will be provided by the public hospitals, primarily through certified public expenditures, whereby the hospital would expend its local funding for services to draw down the federal financial participation. Revenues recognized under the Waiver approximated $19.9 million for the year ended June 30, 2019. The DSRIP is a pay-for-performance initiative that challenges public hospital systems to meet specific benchmarks related to improving health care access, quality and safety and outcomes.

The Bridge to Health Care Reform Waiver expired October 31, 2015. On December 30, 2015, the CMS approved California Medi-Cal 2020 Demonstration waiver, a five-year renewal of California's Section 1115 Medicaid Waiver, which provides California public hospitals new federal funding through programs that are designed to shift focus away from hospital-based and inpatient care, towards outpatient, primary and preventative care. A renewal of California's Medicaid Waiver was a fundamental component of a public hospital's ability to continue to successfully implement the Affordable Care Act (ACA) beyond the primary step of coverage expansion.

The Medi-Cal 2020 waiver features four new programs: (1) a pay-for-performance delivery system transformation and alignment program that is considered the successor to the 2010 Bridge to Health Care Reform waiver's DSRIP, known as PRIME (Public Hospital Redesign and Incentives in Medi-Cal);

(2) Global Payment Program (GPP) for services to the uninsured in designated public hospital systems; (3) Whole Person Care Pilot Program which would be a county-based, voluntary program to target providing more integrated care for high-risk, vulnerable populations; and (4) Dental Transformation Incentive Program, an optional incentive program to increase the frequency and quality of dental care provided to children.

Payments received under Medi-Cal 2020 Waiver's GPP are utilization based and not dependent on Certified Public Expenditures (CPEs). However, GPP claims are subject to State and Federal audit and final reconciliation. SFGH has established reserves for the uncertainty of future financial impact of potential audit and reconciliation adjustments. Revenues recognized under Medi-Cal 2020 approximated $122.1 million for the year ended June 30, 2019.

In addition, SFGH was reimbursed by the State, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2019, reimbursement under the Short-Doyle Program amounted to approximately $6.4 million and is included in net patient service revenue.

Unearned Credits and Other Liabilities - As of June 30, 2019, SFGH recorded approximately $292.3 million in unearned credits and other liabilities, which was comprised of $243.3 million in unearned credits mainly related to receipts under DSH/SNCP, LIHP, and AB915 programs, and $49.0 million in third-party settlements payable.

Charity Care - SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were $275.1 million and estimated costs and expenses to provide charity care were $78.5 million in fiscal year 2019.

Other Revenues – With California electing to implement a State-run Medicaid Expansion afforded by the ACA, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there is a mechanism that provides for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% of the savings realized by the county. A final reconciliation has been conducted for fiscal year 2016-17 showing $0 realignment to be redirected. A final reconciliation will be conducted prior to June 30, 2020 for fiscal year 2017-18. For the year ended June 30, 2019, SFGH recognized $58.5 million of realignment funding.

Contracts with the University of California San Francisco – The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2019, was approximately $170.9 million.

Gift – From fiscal year 2014-15 through fiscal year 2015-16, SFGH has received $62.4 million from the San Francisco General Hospital Foundation for the acquisition of furniture, fixtures and equipment (FF&E) for the new hospital. As of June 30, 2019, SFGH has spent $45.8 million from the gift on acquisition of FF&E as stipulated by the donor and recorded the remaining $16.6 million as restricted net position.

Commitments and Contingencies – As of June 30, 2019, SFGH had outstanding commitments with third parties for capital projects totaling $6.8 million.

(h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise) was established in 1977, following the transfer of all sewage-system-related assets and liabilities of the City to the Wastewater Enterprise pursuant to bond resolution, to account for the City's municipal sewage treatment and disposal system.

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves, on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers, cost of service, through user fees based on the volume and strength of sanitary flow. As of June 30, 2019, the Wastewater Enterprise serves approximately 148,068 residential accounts, which discharge about 16.3 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 25,897 non-residential accounts, which discharge about 7.6 million units of sanitary flow per year.

Pledged Revenues – Wastewater Enterprise's revenues, which consist mainly of sewer service charges, are pledged for the payment of principal and interest on various revenue bonds. Proceeds, from the bonds, provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from net revenues of Wastewater Enterprise and are payable through fiscal year ending 2049.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2019, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	$ 1,667,095
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge	89,456
Bond principal and interest remaining due at end of the fiscal year	2,735,352
Bond principal and interest paid in the fiscal year	60,347
Net revenues	150,365
Funds available for revenue debt service	253,646

Commitments and Contingencies – As of June 30, 2019, the Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling $269.1 million.

Pollution Remediation Obligations – As of June 30, 2019, the Wastewater Enterprise recorded $7.5 million in pollution remediation liability, consisting of $7.5 million cleanup cost estimate at the Yosemite Creek site. The pollution remediation obligation reported in the accompanying statement of net position is based on estimated contractual costs.

Transactions with Other Funds – The Wastewater Enterprise purchased power from Hetch Hetchy Power totaling $10.9 million for the year ended June 30, 2019. The Wastewater Enterprise purchased water from Water Enterprise totaling $1.3 million for the year ended June 30, 2019. The Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and the total charge was $13.9 million for the year ended June 30, 2019. A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $10.6 million for the year ended June 30, 2019 and have been included in services provided by other departments.

(14) Successor Agency to the Redevelopment Agency of the City and County of San Francisco

As discussed in Note 1, the financial statements present the Successor Agency and its component unit, an entity for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency's activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

In September 2015, the State passed Senate Bill 107 (SB 107), which clarifies and updates existing law governing the dissolution of redevelopment agencies. SB 107 includes specific language that allows the Successor Agency to issue bonds or other indebtedness for the purposes of low and moderate income housing and infrastructure in the City by allowing the pledge of revenues available in the Trust Fund that are not otherwise pledged subject to the approval of the Oversight Board. SB 107 also declares that Mission Bay North, Mission Bay South, Hunters Point Shipyard Phase 1, Candlestick Point - Hunters Point Shipyard Phase 2, and Transbay projects are finally and conclusively approved as enforceable obligations.

(a) Capital Assets Held by the Successor Agency

For the year ended June 30, 2019, the summary of changes in capital assets is as follows:

	Balance June 30, 2018	Additions	Transfers	Balance June 30, 2019
Capital assets not being depreciated:				
Land held for lease	$ 18,525	$ -	$ -	$ 18,525
Capital assets being depreciated:				
Furniture and equipment - General	2,584	-	(278)	2,306
Building and improvements	38,473	-	(38,473)	-
Total capital assets being depreciated	41,057	-	(38,751)	2,306
Less accumulated depreciation for:				
Furniture and equipment	(2,562)	(9)	278	(2,293)
Building and improvements	(17,798)	(709)	18,507	-
Total accumulated depreciation	(20,360)	(718)	18,785	(2,293)
Total capital assets being depreciated, net	20,697	(718)	(19,966)	13
Total capital assets, net	$ 39,222	$ (718)	$ (19,966)	$ 18,538

In accordance with the Dissolution Law, on April 30, 2019, the Successor Agency transferred the operations of the Rincon Point South Beach Project to the City. This included the operations, leasehold interests, and the following assets and liabilities:

Assets:	
Cash and investments	$ 5,078
Capital assets	19,966
Other assets	104
Liabilities:	
Long-term liabilities - Cal Boating Loans Payable	(6,144)
Interest payable	(207)
Other liabilities	(457)
Total	$ 18,340

The transfer of these assets was recorded as a deduction in the statement of changes in fiduciary net position and as a special item in the Port of San Francisco Enterprise Fund. For the period from July 1, 2018 to April 30, 2019, the Successor Agency recorded total additions of $4,584 and deductions of $3,076 related to the transferred operations.

(b) Summary of the Successor Agency's Long-Term Obligations

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
Hotel tax revenue bonds [(a)]	2025	5.00%	$ 23,105
Tax allocation revenue bonds [(b)]	2047	1.45% - 8.41%	859,951
Total long-term bonds and loans			$ 883,056

Debt service payments are made from the following sources:

(a) Hotel taxes from the occupancy of guest rooms in the hotels within the City.
(b) Redevelopment property tax revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay, and Mission Bay North project areas.

Pledged Revenues for Bonds – The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e., the former tax increment). These revenues have been pledged until the year 2047, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1.46 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2019, were $158.6 million against the total debt service payment of $96.2 million.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2025, the final maturity of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $27.3 million. The hotel tax revenue recognized during the year ended June 30, 2019 was $6.0 million against the total debt service payment of $6.0 million.

Events of Default and Remedies – The Successor Agency shall be considered to be in default if it fails to make any principal, interest, or redemption payment when due. For Tax Allocation Bonds, in the event of default, the trustee may declare the principal and accrued interest to be due and payable

immediately. For Hotel Tax Bonds, in the event of default, the Successor Agency must immediately transfer to the trustee all revenues held and thereafter received to be used for expenses necessary to protect the bondholders and payment of interest and principal.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2019, are as follows:

	July 1, 2018	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2019
Bonds payable:				
Tax revenue bonds	$ 920,246	$ -	$ (60,295)	$ 859,951
Hotel Tax Revenue Bonds	27,715	-	(4,610)	23,105
Less unamortized amounts:				
For issuance premiums	48,065	-	(2,543)	45,522
For issuance discounts	(3,089)	-	142	(2,947)
Total bonds payable	992,937	-	(67,306)	925,631
Accreted interest payable	57,709	8,723	-	66,432 [(1)]
Notes, loans, and other payables	6,392	-	(6,392)	- [(2)]
Accrued vacation and sick leave pay	952	787	(590)	1,149
Successor Agency - long term obligations	$ 1,057,990	$ 9,510	$ (74,288)	$ 993,212

(1) Amounts represent interest accretion on Capital Appreciation Bonds.
(2) Cal Boating loan payable was transferred to the City on April 30, 2019.

As of June 30, 2019, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

	Tax Allocation Revenue Bonds		Hotel Occupancy Tax Revenue Refunding Bonds	
June 30,	Principal	Interest *	Principal	Interest
2020	$ 59,572	$ 36,956	$ 3,365	$ 1,155
2021	61,482	35,839	3,510	987
2022	58,881	36,145	3,690	812
2023	50,188	42,255	3,865	627
2024	32,834	43,201	4,220	434
2025-2029	154,813	162,255	4,455	222
2030-2034	155,154	123,679	-	-
2035-2039	149,001	80,231	-	-
2040-2044	113,911	37,699	-	-
2045-2047	24,115	1,858	-	-
Total	$ 859,951	$ 600,118	$ 23,105	$ 4,237

* Including payment of accreted interest.

During the year ended June 30, 2010, the former Agency borrowed $16.5 million from the Low and Moderate Income Housing Fund (LMIHF) to make payment of $28.7 million to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon dissolution of the former Agency, the City elected to become the Housing Successor Agency and retained the former Agency's housing assets and functions, rights, powers, duties, and obligations. The Successor Agency made payments in the amount of $1.8 million to the City during the year ended June 30, 2019, and the outstanding payable balance was $6.4 million.

(c) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2019, the Successor Agency had outstanding encumbrances totaling approximately $846.

Risk Management - The Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of $10.0 million per occurrence ($5.0 million for employment practices liability) and a $0.03 million deductible per occurrence.

Operating Leases - The Successor Agency has a cancelable operating lease for its office site. Leases under the Master Lease Option Agreement with the San Francisco Port Commission were transferred to the City on April 30, 2019. Rent payments totaled $0.9 million for the year ended June 30, 2019. The Successor Agency recorded $0.9 million of operating lease rental income for the leases transferred to the City on April 30, 2019.

Notes and Mortgages Receivable – During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aids the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible. During the year ended June 30, 2019, the Successor Agency disbursed $32.6 million to the developers through this arrangement and recorded an allowance against these receivables. This allowance is recorded as deductions in the financial statements. At June 30, 2019, the gross value of the notes and mortgage receivable was $254.1 million and the allowance for uncollectible amounts was $252.6 million.

Special Assessment Debt without Commitment - Various community facility district bonds have been issued by the former Agency on behalf of various property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the financial statements. Debt service payments will be made by the property owners. At June 30, 2019, the Successor Agency had outstanding community facility district bonds totaling $182.3 million.

Transbay Transit Center Agreements - In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2019, the Successor Agency distributed $12.5 million to the TJPA. The payment was recorded as a neighborhood development deduction on the statement of changes in fiduciary net position.

(15) Treasure Island Development Authority

The Treasure Island Development Authority (TIDA) is a nonprofit public benefit corporation. TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. TIDA is governed by seven members of the TIDA Board of Directors who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. The specific purpose of TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City.

The services provided by TIDA include administering the acquisition of former Naval Station Treasure Island from the U.S. Navy and implementing the Treasure Island Development Project; renting existing Treasure Island facilities including commercial facilities and approximately 650 housing units to generate revenues to cover operating costs; maintaining Treasure Island utilities, facilities and other infrastructure; and overseeing the U.S. Navy's remediation activities on the former naval base.

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island (Development Plan). The Development Plan was endorsed by the TIDA Board and the San Francisco Board of Supervisors in December 2006. In May 2010, the TIDA Board and Board of Supervisors both unanimously endorsed a package of legislation that included an Update to the Development Plan and Term Sheet, terms of an Economic Development Conveyance Memorandum of Agreement (EDC MOA Term Sheet), and a Term Sheet between TIDA and the Treasure Island Homeless Development Initiative (TIHDI).

In April 2011, the TIDA Board and the Planning Commission certified the environmental impact report for the project and approved various project entitlements, including amendments to the Planning Code, Zoning Maps and General Plan, as well as a Development Agreement, Disposition and Development Agreement and Interagency Cooperation Agreement. These entitlements include detailed plans for land uses, phasing, infrastructure, transportation, sustainability, housing – including affordable housing, jobs and equal opportunity programs, community facilities and project financing. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report and approved the project entitlements. These project approvals established the framework and cleared the way for realization of a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring.

On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 275 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. This has been followed by four smaller transfers with full conveyance of the former base expected to be completed in 2024. Existing structures on Yerba Buena were demolished between February and August 2016, and structures in the first area of development on Treasure Island were demolished between July 2016 and February 2017. The first infrastructure construction projects on Yerba Buena Island – new water reservoirs and new roadways, utilities, and related facilities – are underway. The first residential project on Yerba Buena Island, a 124-unit condominium building, began construction in June 2019 and is expected to be ready for occupancy in 2021. Geotechnical improvement of soil conditions in the first subphase area on Treasure Island has progressed over the past 18 months making way for the construction of new utility and roadway infrastructure. The first residential project on Treasure Island – a 105-unit, 100% affordable building developed by Chinatown Community Development Center in partnership with Swords to Plowshares – will break ground in the first quarter of 2020.

TICD has submitted a Street Improvement Permit (SIP) application and initiated the subdivision mapping process for the third subphase area with the objective of securing SIP and final subdivision map approval by the middle of 2020. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

As of June 30, 2019, TIDA has the following payables to other City departments:

		6/30/2019		
Payable to	Purpose	Current	Noncurrent	Total
SFCTA	YBI and mobility management expenses	$ 1,725	$ -	$ 1,725
General Fund	Cash coverage	2,149	-	2,149
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		$ 3,874	$ 2,599	$ 6,473

(16) Interfund Receivables, Payables, and Transfers

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City's pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 9,768
	Port of San Francisco	69
	Laguna Honda Hospital	8
		9,845
Nonmajor Governmental Funds	General Fund	72
	Nonmajor Governmental Funds	8,760
	Municipal Transportation Agency	400
	Port of San Francisco	412
		9,644
San Francisco Water Enterprise	General Fund	22
	Nonmajor Governmental Funds	614
	Port of San Francisco	24
		660
Hetch Hetchy Water and Power Enterprise	General Fund	694
	Nonmajor Governmental Funds	5,602
	San Francisco Wastewater Enterprise	955
		7,251
Municipal Transportation Agency	Nonmajor Governmental Funds	45,550
Port of San Francisco	Nonmajor Governmental Funds	14,958
	Hetch Hetchy Water and Power Enterprise	350
		15,308
San Francisco Wastewater Enterprise	General Fund	9
	Nonmajor Governmental Funds	208
	Port of San Francisco	80
		297
Total		$ 88,555

In addition to routine short-term loans, Hetch Hetchy serves as the City's agency for energy efficiency projects and maintains the Sustainable Energy Account (SEA) to sponsor and financially support such projects at various City departments. In this role, Hetch Hetchy may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2019, Hetch Hetchy loaned $5.6 million to other City funds.

The SFMTA has a receivable from nonmajor governmental funds of $45.6 million for capital and operating grants.

Due from component units:

Receivable Entity	Payable Entity	Amount	
General Fund	Component unit – TIDA	$ 2,149	(1)
Nonmajor Governmental Funds	Component unit – TIDA	1,725	(1)
Nonmajor Governmental Funds	Successor Agency	1,643	(2)
San Francisco Water Enterprise	Successor Agency	4	(2)
San Francisco Wastewater Enterprise	Successor Agency	2	(2)

Advance to component units:

Receivable Entity	Payable Entity	Amount	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	$ 2,599	(1)
Nonmajor Governmental Funds	Successor Agency	6,442	(2)

(1) See discussion at Note 15.

(2) See discussion at Note 14(b) related to the Due to/Advances from the Primary Government.

	Transfers In: Funds (in thousands)									
Transfers Out: Funds	General Fund	Nonmajor Govern-mental Funds	Internal Service Funds	Water Enterprise	Hetch Hetchy Water and Power Enterprise	Municipal Transporta-tion Agency	San Francisco General Hospital Medical Center	Port of San Francisco	Laguna Honda Hospital	Total
General Fund	$ -	$ 684,719	$ 47	$ 1,200	$ 4,522	$ 527,516	$ 115,842	$ -	$ 135,125	$ 1,468,971
Nonmajor governmental funds	17,436	63,858	-	-	-	104,247	14	440	-	185,995
Internal Service Funds	1,382	-	-	-	-	-	-	-	-	1,382
San Francisco International Airport	49,112	-	-	-	-	-	-	-	-	49,112
Water Enterprise	-	334	-	-	20,000	-	-	-	-	20,334
Hetch Hetchy Water and Power Enterprise	-	32	-	-	-	-	-	-	-	32
San Francisco General Hospital Medical Center	29,870	-	-	-	-	-	-	-	1,105	30,975
Wastewater Enterprise	3,724	272	-	-	-	-	-	-	-	3,996
Laguna Honda Hospital	2,814	-	-	-	-	-	-	-	-	2,814
Total transfers out	$ 104,338	$ 749,215	$ 47	$ 1,200	$ 24,522	$ 631,763	$ 115,856	$ 440	$ 136,230	$ 1,763,611

The $1.47 billion General Fund transfer out includes a total of $778.5 million in operating subsidies to SFMTA, SFGH, and Laguna Honda Hospital (see Note 13). The transfer of $684.7 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are mainly to provide support for various City programs and to provide resources for the payment of debt service.

San Francisco International Airport transferred $49.1 million to the General Fund, representing a portion of concession revenues (see Note 13(a)). The General Fund received transfers in of $6.6 million for interest earned by the SFGH but credited to the General Fund. The General Fund also received $23.0 million from SFGH and $2.0 million from Laguna Honda Hospital to fund the DPH project and $0.8 million for interest earned by the Laguna Honda Hospital but credited to the General Fund. SFGH transferred $0.3 million to the General Fund for supplementation of interdepartmental work order. Laguna Honda Hospital received $505 from SFGH to supplement LHH intergovernmental work order and $600 to re-appropriate funds within DPH.

SFMTA received $104.2 million transfers from nonmajor governmental funds, of which $90.9 million was for capital activities, $13.3 million was for operating activities.

The Water Enterprise transferred $20.0 million to Hetch Hetchy Water and Power Enterprise to fund various upcountry projects, $302 to the Art Commission for art enrichment and $32 to the Office of the City Administrator for the Surety Bond Program. In turn, the Water Enterprise received $1.2 from the General Fund for low income assistance programs.

The Wastewater Enterprise transferred $3.7 million to the General Fund related to the Land Reuse of the property adjacent to the Southeast Water Pollution Control Plant ("Southeast Plant"), $150 to the Neighborhood Development Fund for the Watershed Stewardship Grants, $90 to the Art Commission for art enrichment and $32 to the Office of the City Administrator for the Surety Bond Program.

The Hetch Hetchy Water and Power Enterprise received $4.5 million from the City's Education Revenue Augmentation fund for utility acquisition assessment and transferred $32 to the Office of the City Administrator for the Surety Bond Program.

(17) Commitments and Contingent Liabilities

Operating Leases

The City has noncancelable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Governmental Activities

Fiscal Years	
2020	$ 66,258
2021	52,240
2022	46,660
2023	36,576
2024	27,052
2025-2029	51,055
2030-2034	3,395
2035-2039	2,821
2040-2044	1,974
Total	$ 288,031

Operating lease expense incurred for governmental activities for fiscal year 2018-19 was approximately $59.6 million.

Business-type Activities

Fiscal Years	Airport	Port	SFMTA	Total Business-type Activities
2020	$ 205	$ 2,726	$ 17,651	$ 20,582
2021	209	2,726	9,171	12,106
2022	213	2,726	7,712	10,651
2023	218	2,726	7,851	10,795
2024	222	2,726	4,597	7,545
2025-2029	200	13,628	20,072	33,900
2030-2034	-	13,628	17,833	31,461
2035-2039	-	13,628	1,652	15,280
2040-2044	-	13,628	1,912	15,540
2045-2049	-	13,628	14,034	27,662
2050-2054	-	13,628	-	13,628
2055-2059	-	13,628	-	13,628
2060-2064	-	13,628	-	13,628
2065-2069	-	227	-	227
Total	$ 1,267	$ 122,881	$ 102,485	$ 226,633

Operating lease expense incurred for the Airport, Port, and SFMTA for fiscal year 2018-19 was $0.2 million, $2.7 million, and $21.0 million, respectively.

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

Governmental Activities

Fiscal Years	
2020	$ 2,744
2021	2,356
2022	1,480
2023	968
2024	649
2025-2029	2,387
2030-2034	461
Total	$ 11,045

Business-type Activities

Fiscal Years	Airport	Port	SFGH	SFMTA	Total Business-type Activities
2020	$ 89,556	$ 47,323	$ 1,615	$ 5,428	$ 143,922
2021	82,626	42,890	1,663	4,182	131,361
2022	77,025	38,800	1,713	2,805	120,343
2023	69,834	32,526	1,765	2,406	106,531
2024	60,790	25,021	1,818	1,724	89,353
2025-2029	245,375	96,800	9,294	6,250	357,719
2030-2034	189,379	82,421	-	6,250	278,050
2035-2039	-	64,160	-	6,250	70,410
2040-2044	-	43,010	-	6,250	49,260
2045-2049	-	37,159	-	14,583	51,742
2050-2054	-	16,289	-	-	16,289
2055-2059	-	14,575	-	-	14,575
2060-2064	-	14,519	-	-	14,519
2065-2069	-	10,764	-	-	10,764
2070-2074	-	5,242	-	-	5,242
2075-2079	-	2,456	-	-	2,456
Total	$ 814,585	$ 573,955	$ 17,868	$ 56,128	$ 1,462,536

The Airport and Port have certain rental agreements with concessionaires, which specify that rental payments are to be based on a percentage of tenant sales, subject to a minimum amount. Concession percentage rents in excess of minimum guarantees for the Airport and Port were approximately $16.6 million and $16.7 million, respectively, in fiscal year 2018-19. Airport's concession agreements provide that the Minimal Annual Guarantee (MAG) does not apply if the actual enplanements achieved during a one-month period is less than 80% of the actual enplanements of the same reference month in the reference year, and such shortfall continues for three consecutive months. The MAG is reinstated once monthly enplanements equal or exceed 80% for the reference month enplanement for two consecutive months. The Airport also exercised a five-year car rental lease agreement option effective January 1, 2014. Under this agreement, the rental companies pay 10% of gross revenues or a minimum guaranteed rent, whichever is higher. During the current holdover term, the MAG is $0. The holdover term will continue until a new On-Airport Rental Car Operation Lease Agreement Request for Bids process is concluded and awarded. The MAG attributable to the rental car companies was approximately $0 for fiscal year 2018-19.

Other Commitments

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of $2.94 billion, private equity in the amount of $3.48 billion, private credit in the amount of $1.16 billion, and absolute return investments in the amount of $207.1 million, which totaled $7.79 billion at June 30, 2019.

In February 2011, the Asian Art Museum Foundation (Foundation) entered into an agreement with JP Morgan Chase Bank to refinance its obligations of $97.0 million. To facilitate the refinancing, the City entered into an assurance agreement which, in the event of nonpayment by the Foundation, requires the City to seek an appropriation to make debt payments as they become due. Since the City has not legally guaranteed the debt, and the City believes that the likelihood of nonpayment by the Foundation is remote, no amount is recorded in the City's financial statements related to this agreement.

(18) RISK MANAGEMENT

Risk Retention Program Description

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for SFMTA); medical malpractice; natural disasters; employee health benefit claim payments for direct provider care (collectively referred to herein as estimated claims payable); and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations.

The Airport carries general liability insurance coverage of $1.0 billion with $250.0 million in War Perils Liability, subject to a deductible of $10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a limit of $1.0 billion per single occurrence and a deductible of $500 per single occurrence. This policy includes flood coverage up to a $10 million sub-limit. The Airport carries public officials liability and employment practices liability coverage of $5.0 million, subject to a deductible of $100 per single occurrence for each wrongful act other than employment practices' violations, and $250 per each occurrence for each employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment, and watercraft liability for Airport fire and rescue vessels, active assailant liability insurance, and target range liability for the San Francisco Police Department's firearms range located at the Airport. The Airport is not required to nor carry insurance or self-insure against any risks due to land movement or seismic activity. The Airport's purchase of War Perils liability in the London markets extends coverage to terrorist acts.

The Port carries the following insurance: 1) marine general liability coverage of $100.0 million, subject to a deductible of $100 per occurrence; 2) hull and machinery liability coverage of $1.1 million, subject to a deductible of $100 per occurrence; 3) commercial property insurance for losses up to the insured appraised value of Port facilities, subject to a maximum of $1.0 billion and a deductible of $750 per occurrence ($150 per occurrence for the Port's cargo cranes); and 4) public officials and employee liability coverage of $5.0 million, subject to a deductible of $50 per occurrence. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high value Port vehicles, water pollution, and data processing equipment. In addition to the above, the Port requires its tenants, licensees, and contractors on all contracts to carry commercial general liability insurance in various amounts naming the Port Commission and the City as additional insured parties. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA risk treatment program encompasses both self-insured and insured methods. Insurance purchased is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages the risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA's general policy is to first evaluate self-insurance for the risks of loss to which it is exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

Risks	Coverage
a. General/Transit Liability	Self-insured
b. Property	Self-insured and purchase insurance
c. Workers' Compensation	Self-insured
d. Employee (transit operators)	Purchase insurance
e. Directors and Officers	Purchase insurance

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately $3.0 million. The annual budget for claims was $11.9 million for fiscal year 2019. As of June 30, 2019, the reserve was $27.1 million. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

The SFMTA purchases property insurance on its facilities, Breda light rail cars, and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. For SFMTA contractors, SFMTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and SFMTA's property. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per a Memorandum of Understanding with the Transport Workers' Union and has purchased insurance to cover errors and omissions of its board members and senior management.

Estimated Claims Payable

Numerous lawsuits are pending or threatened against the City. The City's liability as of June 30, 2019 has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

Changes in the reported estimated claims payable since July 1, 2017, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2017-2018	$ 297,169	$ 134,444	$ (46,602)	$ 385,011
2018-2019	385,011	28,608	(70,118)	343,501

Breakdown of the estimated claims payable at June 30, 2019 is follows:

Governmental activities:	
Current portion of estimated claims payable	$ 87,006
Long-term portion of estimated claims payable	147,379
Total	$ 234,385
Business-type activities:	
Current portion of estimated claims payable	$ 48,686
Long-term portion of estimated claims payable	60,430
Total	$ 109,116

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2019 has been actuarially determined and includes an estimate of incurred but not reported losses. The total amount estimated to be payable for claims incurred as of June 30, 2019 was $508.4 million, which is reported in the appropriate individual funds in accordance with the City's accounting policies.

Changes in the reported accrued workers' compensation since July 1, 2017, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2017-2018	$ 435,751	$ 119,174	$ (91,363)	$ 463,562
2018-2019	463,562	144,716	(99,920)	508,358

Breakdown of the accrued workers' compensation liability at June 30, 2019 is as follows:

Governmental activities:	
Current portion of accrued workers' compensation liability	$ 51,733
Long-term portion of accrued workers' compensation liability	229,735
Total	$ 281,468
Business-type activities:	
Current portion of accrued workers' compensation liability	$ 39,274
Long-term portion of accrued workers' compensation liability	187,616
Total	$ 226,890

(19) Subsequent Events

(a) Debt Issuance

In July 2019, the City issued $34.0 million taxable and $86.5 million tax-exempt commercial paper (CP) with interest rates of 2.37% and 1.17% and maturity dates of August 2019 and October 2019, respectively. The CP was issued to refinance $30.3 million of maturing CP and to finance the 49 South Van Ness construction project, affordable rental housing projects and the acquisition of real property for the Hall of Justice project. The $34.0 million taxable CP was refinanced with $24.2 million taxable CP with interest rate of 2.15% and maturity of October 2019 in August 2019.

In September 2019, the Airport issued $1.2 billion of its Series 2019E, Series 2019F, Series 2019G and 2019H Bonds for the purpose of financing and refinancing (through the repayment of commercial paper notes) a portion of the costs of capital improvements to the Airport, funding deposits to a debt service reserve account and the Airport's contingency reserve account, funding deposits to capitalized interest accounts, paying costs of issuance, refinancing swap termination payments (through repayment of commercial paper notes) and current refunding $328.0 million in outstanding Bonds. Moody's, S&P, and Fitch assigned credit ratings of "A1", "A+", and "A+" to these bonds. In connection with this transaction, the variable rate Issue 37C Bonds were refinanced with fixed rate bonds, and the letter of credit supporting the Issue 37C Bonds was terminated. In addition, $11.9 million was transferred from the 2009 Reserve Account to the Issue 1 Reserve Account.

In October 2019, the City issued $15.9 million of taxable CP with interest rate of 1.28% and maturity of December 2019, and $28.2 million of tax-exempt CP with interest rates of 1.30% and 1.25%, with maturity of October 2019 to refund $43.2 million of maturing CP for capital equipment for the San Francisco General Hospital, the 49 South Van Ness building construction project, and the animal care and control project. The $28.2 million tax-exempt CP was retired on its maturity in October 2019.

In October 2019, the City issued $24.5 million of taxable and $63.1 million of tax-exempt CP with interest rate of 1.95% and 1.25% and maturity of January 2020 and October 2019, respectively, for new money and to refund $24.4 million of maturing CP. The CP was issued to finance the 49 South Van Ness building construction project, the affordable rental housing project, and Hall of Justice construction project. The $63.1 million tax-exempt CP was retired on its maturity in October 2019.

In October 2019, the City issued Certificates of Participation (49 South Van Ness Project) Series 2019A (the Certificates) in the amount of $247.8 million, the proceeds of which will be used to: finance or refinance the costs of acquisition, demolition, construction and installation of improvements to an office building to be used by the City, located at 49 South Van Ness Street, San Francisco, California (the Project); retire certain commercial paper certificates of participation of the City, the proceeds of which financed a portion of the cost of the Project; fund the Reserve Account established under the Trust Agreement for the Certificates; pay capitalized interest through December 1, 2020; pay for costs of execution and delivery of the Certificates. The Certificates bear interest rates ranging from 3.0% to 5.0% and will mature from April 2021 through April 2050.

In October 2019, the City issued General Obligation Bonds Series 2019B (Clean and Safe Neighborhood Parks) and Series 2019C (Affordable Housing) in the amount of $3.1 million and $92.7 million, respectively. The Series 2019B bears an interest rate of 5.0% and will mature on June 2020 and the Series 2019C bears interest rates ranging from 1.55% to 2.70% and will mature from June 2020 through June 2039. The Series 2019B was issued to provide funds to improve the safety and quality of neighborhood parks across the City and waterfront open spaces under the jurisdiction of the Port of San Francisco and pay certain costs related to the issuance of the Series 2019B. The Series 2019C was issued to: finance or refinance the construction, acquisition and or rehabilitation of affordable rental housing units; implement infrastructure improvements supporting affordable housing units; allow moderate-income households the opportunity to purchase their first home through down payment assistance and pay certain costs related to the issuance of the Series 2019C.

In November 2019, the City issued $116.5 million Refunding Certificates of Participation Series 2019-R1 (Multiple Capital Improvement Projects) (the Certificates) to provide funds to prepay certain certificates of participation the proceeds of which financed capital projects of the City consisting of improvements to Laguna Honda Hospital and related property owned by the City and various City streets; finance the acquisition of capital equipment, including mechanical street sweepers, and other capital expenditures; and pay the costs of execution and delivery of the Certificates. The Certificates bear interest rates ranging from 2.125% to 5.0% and will mature from April 2020 through April 2035. The refunding resulted in accounting gain of $0.2 million and a net present value savings of $28.1 million or 19.9% of refunded bonds.

In December 2019, the City issued $14.0 million of tax-exempt CP with interest rate of 1.03% and maturity of February 2020 to refund $13.9 million of maturing CP for capital equipment for the San Francisco General Hospital, and the animal care and control project. $1.9 million tax-exempt CP was retired on its maturity in December 2019.

(b) Elections

On November 5, 2019, the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Proposition A – An ordinance that authorizes the City to issue $600.0 million in General Obligation Bonds to finance projects to acquire, build and rehabilitate rental housing for extremely low, low and middle-income individuals and families; repair and rebuild public housing developments; acquire and

construct housing for seniors; acquire and rehabilitate affordable rental housing to prevent the loss of such housing and to assist middle-income City residents and workers to secure permanent housing; and support affordable housing for educators and employees of the San Francisco and Unified School District and City College of San Francisco.

Proposition D – An ordinance that imposes a business tax on commercial ride-share companies for fares generated by rides that start in San Francisco as follows: 1.5% on a shared-ride fare; and 3.25% on a private-ride fare. The same business tax will apply to driver-less vehicle companies. The City will impose these taxes on fares by these companies until November 5, 2045. Passenger rides in zero-emission vehicles will be subject to a 1.5% business tax until December 31, 2024. The City will deposit the tax revenues (estimated at $30.0 million to $35.0 million annually) into a Traffic Mitigation Congestion Fund. The San Francisco Municipal Transportation Agency will receive half of the revenues to improve Muni service and reliability, maintain and expand Muni vehicles and facilities, and improve Muni station access; and the San Francisco County Transportation Authority will receive half of the revenues to improve pedestrian and bicycle safety.

Proposition E – An ordinance that amends the Planning Code to allow 100% Affordable Housing projects and Educator Housing projects in public zoning districts and to expedite City approval of these projects. Under Proposition E, 100% Affordable Housing and Educator Housing projects: will be allowed in residential zoning districts and in public zoning districts, except on property used for parks; will be located on lots that are least 10,000 square feet; will not demolish or replace existing residential units; will be subject to less restrictive rules regarding size, ground-floor height, density and other factors than other residential buildings; will allow a limited amount of mixed or commercial use that supports affordable housing; and will not be subject to any conditional use restriction unless the restriction has been adopted by the voters. Proposition E requires a review of proposed 100% Affordable Housing and Educator Housing projects within 90 to 180 days, depending on the size of the project and authorizes the expedited review of the first 500 units of proposed Educator Housing. The Planning Department can administratively approve the Affordable and Educator Housing projects, without review by the Planning Commission.

(c) Others

Purchase of Watershed Property in Alameda County

In July 2019, the San Francisco Public Utilities Commission approved the purchase of 787 acres of agricultural land commonly known as the Wool Ranch in the unincorporated town of Sunol, Alameda County for $9.7 million. Acquisition of watershed lands upstream and downstream of SFPUC reservoirs will protect source water quality and native species and their habitats.

Termination of Interest Rate Swap Agreements

In August 2019, the Airport terminated a swap associated with the Issue 37C Bonds, with a remaining notional amount of $82.5 million. The Airport paid a termination amount of $13.6 million to the counterparty, JPMorgan Chase Bank, N.A. In August 2019, the Airport also terminated a swap associated with the Series 2010A-3 Bonds, with a remaining notional amount of $73.1 million. The Airport paid a termination amount of $11.4 million to the counterparty, Merrill Lynch Capital Services, Inc. The termination payments were financed with taxable commercial paper that was refinanced with the proceeds of the Series 2019E, 2019F, 2019G and 2019H.

Cash Defeasance of Bonds

In September 2019, the Airport legally defeased $5 of its Second Series Revenue Refunding Bonds, Series 2010D, $160 of its Second Series Revenue Bonds, Series 2010F, $5 of its Second Series Revenue Refunding Bonds, Series 2011C, $5 of its Second Series Revenue Refunding Bonds, Series 2011F, $5 of its Second Series Revenue Refunding Bonds, Series 2012A, $5 of its Second Series Revenue Refunding Bonds, Series 2009D, $5 of its Second Series Revenue Bonds, Series 2013A, $10 of its Second Series Revenue Bonds, Series 2014A, $5 of its Second Series Revenue Bonds, Series 2017A, $5 of its Second Series Revenue Bonds, Series 2018D, $5 of its Second Series Revenue

Refunding Bonds, Series 2018G, and $5 of its Second Series Revenue Refunding Bonds, Series 2018A, using available cash on hand together with amounts held by the Trustee for purposes of paying future debt service on such bonds.

Special Use and Special Facilities Districts

In September 2019, the Port executed documents, pursuant to Section 2.14 of the Port's Revenue Bond Master Indenture (Master Indenture), which made effective the Port Commission's earlier designation of the Pier 70 Special Use District (SUD) and Mission Rock Project Site as Special Facilities under Section 2.14 of the Revenue Bond Master Indenture. The revenues from the Pier 70 SUD and Mission Rock Project Site constitute Special Facility Revenues and are not included in the net revenues pledged to the Revenue Bonds.

Rating Upgrade

In November 2019, Moody's Investors Services Inc. (Moody's) raised its long-term rating on the Water Revenue Bonds from "Aa3" to "Aa2" with a "stable" outlook.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability
June 30, 2019 *
(Dollars in Thousands)

	For the year ended June 30, 2019				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.1042%	-0.1573%	0.0215%	0.2820%	0.0003%
Proportionate share of the net pension liability (asset)	$ 4,030,207	$ (15,154)	$ 2,069	$ 27,178	$ 28
Covered payroll	$ 3,045,153	$ 390	$ 4,039	$ 5,742	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	132.35%	-3885.64%	51.22%	473.32%	0.00%
Plan fiduciary net position as a percentage of total pension liability	85.20%	72.26%	75.26%	75.26%	75.26%

	For the year ended June 30, 2018				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.0674%	-0.1388%	0.0216%	0.2751%	0.0003%
Proportionate share of the net pension liability (asset)	$ 4,697,131	$ (13,766)	$ 2,142	$ 27,280	$ 28
Covered payroll	$ 2,880,112	$ 344	$ 4,202	$ 5,042	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	163.09%	-4001.74%	50.97%	541.05%	0.00%
Plan fiduciary net position as a percentage of total pension liability	81.78%	73.31%	73.31%	73.31%	73.31%

	For the year ended June 30, 2017				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.2175%	-0.1469%	0.0204%	0.2691%	0.0003%
Proportionate share of the net pension liability (asset)	$ 5,476,654	$ (12,711)	$ 1,765	$ 23,281	$ 27
Covered payroll	$ 2,681,695	$ 329	$ 3,644	$ 3,769	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	204.22%	-3863.53%	48.44%	617.70%	0.00%
Plan fiduciary net position as a percentage of total pension liability	77.61%	74.06%	74.06%	74.06%	74.06%

	For the year ended June 30, 2016				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	93.9032%	-0.2033%	0.0188%	0.2413%	0.0004%
Proportionate share of the net pension liability (asset)	$ 2,156,049	$ (13,956)	$ 1,288	$ 16,563	$ 24
Covered payroll	$ 2,529,879	$ 319	$ 3,684	$ 3,427	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	85.22%	-4374.92%	34.96%	483.31%	0.00%
Plan fiduciary net position					

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability (Continued)
June 30, 2019 *
(Dollars in Thousands)

	For the year ended June 30, 2015				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	93.7829%	-0.1829%	0.0208%	0.2550%	N/A
Proportionate share of the net pension liability (asset)	$ 1,660,365	$ (11,381)	$ 1,299	$ 15,870	$ -
Covered payroll	$ 2,398,979	$ 303	$ 3,264	$ 3,962	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	69.21%	-3756.11%	39.80%	400.56%	-
Plan fiduciary net position as a percentage of total pension liability	91.84%	80.43%	80.43%	80.43%	-

Notes to Schedule:

SFERS Plan

Benefit Changes – There were no changes in benefits during the measurement period ended June 30, 2018. The impact of benefit changes for the year ended June 30, 2017, which was $1.22 billion, was recognized immediately as pension expense.

Changes of Assumptions – For the year ended June 30, 2018, there were no changes in the discount rate. For the year ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%.

CalPERS Miscellaneous Plans

Benefit Changes – There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specific time period (a.k.a. Golden Handshakes).

Changes of Assumptions – In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate for the measurement period ended June 30, 2018. The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only five years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Changes in Net Pension Liability and Related Ratios
June 30, 2019 *
(Dollars in Thousands)

City CalPERS Safety Plan	2019	2018	2017	2016	2015
Total pension liability:					
Service cost	$ 34,006	$ 33,886	$ 31,141	$ 30,987	$ 32,688
Interest on the total pension liability	94,305	88,729	85,094	80,057	76,177
Changes of assumptions	2,492	75,057	-	(19,949)	-
Differences between expected and actual experience	6,909	(14,353)	950	(14,218)	-
Benefit payments, including refunds of employee contributions	(56,625)	(51,579)	(47,774)	(44,699)	(41,387)
Net change in total pension liability	81,087	131,740	69,411	32,178	67,478
Total pension liability, beginning	1,320,856	1,189,116	1,119,705	1,087,527	1,020,049
Total pension liability, ending	$1,401,943	$1,320,856	$1,189,116	$ 1,119,705	$ 1,087,527
Plan fiduciary net position:					
Plan to plan resource movement	$ (3)	$ -	$ -	$ (4)	$ -
Contributions from the employer	31,189	30,575	23,640	20,718	20,613
Contributions from employees	9,359	10,307	14,310	15,061	15,216
Net investment income	85,351	104,383	4,731	20,469	138,628
Benefit payments, including refunds of employee contributions	(56,625)	(51,579)	(47,774)	(44,699)	(41,387)
Administrative expenses	(1,585)	(1,366)	(567)	(1,048)	-
Other miscellaneous income/(expense)	(3,011)	-	-	-	-
Net change in plan fiduciary net position	64,675	92,320	(5,660)	10,497	133,070
Plan fiduciary net position, beginning	1,017,528	925,208	930,868	920,371	787,301
Plan fiduciary net position, ending	$1,082,203	$1,017,528	$ 925,208	$ 930,868	$ 920,371
Plan net pension liability, ending	$ 319,740	$ 303,328	$ 263,908	$ 188,837	$ 167,156
Plan fiduciary net position as a percentage of the total pension liability	77.19%	77.04%	77.81%	83.14%	84.63%
Covered payroll	$ 106,765	$ 107,812	$ 110,139	$ 109,462	$ 111,311
Plan net pension liability as a percentage of the covered payroll	299.48%	281.35%	239.61%	172.51%	150.17%

Notes to Schedule:

Benefit Changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions – In 2018, Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate for the measurement period ended June 30, 2018. The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only five years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Changes in Total Pension Liability and Related Ratios
June 30, 2019 *
(Dollars in Thousands)

City Replacement Benefits Plan*	2019	2018	2017
Plan total pension liability:			
Service cost	$ 1,298	$ 1,605	$ 956
Interest	2,998	2,218	2,112
Changes of benefits	564	15,326	10,310
Changes of assumptions	5,540	(10,290)	11,516
Benefit payments	(2,442)	(3,164)	(1,332)
Net change in total pension liability	7,958	5,695	23,562
Total pension liability, beginning	84,295	78,600	55,038
Plan total pension liability, ending	$ 92,253	$ 84,295	$ 78,600
Covered-employee payroll	$ 3,082,273	$ 2,919,519	$2,681,695
Plan total pension liability as a percentage of the covered-employee payroll	2.99%	2.89%	2.93%

Notes to Schedule:

No assets are accumulated in a trust that meet the criteria in GASB Statement No. 73 to pay related benefits.

Benefit Changes – There were no changes to benefits terms for the measurement period ended June 30, 2018.

Changes of Assumptions – The discount rate was changed from 3.58% in the measurement period ended June 30, 2017 to 3.87% in the measurement period ended June 30, 2018.

* Fiscal year 2016-17 was the first year of implementation of GASB Statement No. 73, therefore only three years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedule of Employer Contributions – Pension Plans

June 30, 2019 *

(Dollars in Thousands)

	For the year ended June 30, 2019					
		CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [1]	$ 607,408	$ 28	$ 479	$ 1,637	$ 7	$ 34,933
Contributions in relation to the actuarially determined contributions [1]	(607,408)	(28)	(479)	(1,637)	(7)	(34,933)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,186,405	$ 359	$ 4,396	$ 6,384	$ -	$ 104,989
Contributions as a percentage of covered payroll	19.06%	7.80%	10.89%	25.65%	0.00%	33.27%

	For the year ended June 30, 2018					
		CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [1]	$ 582,568	$ 42	$ 403	$ 1,283	$ 6	$ 30,743
Contributions in relation to the actuarially determined contributions [1]	(582,568)	(42)	(403)	(1,283)	(6)	(30,743)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,045,153	$ 390	$ 4,039	$ 5,742	$ -	$ 106,765
Contributions as a percentage of covered payroll	19.13%	10.77%	9.99%	22.34%	0.00%	28.80%

	For the year ended June 30, 2017					
		CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [1]	$ 519,073	$ 35	$ 293	$ 970	$ 2	$ 27,190
Contributions in relation to the actuarially determined contributions [1]	(519,073)	(35)	(293)	(970)	(2)	(27,190)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,880,112	$ 344	$ 4,202	$ 5,042	$ -	$ 107,812
Contributions as a percentage of covered payroll	18.02%	10.17%	6.97%	19.24%	0.00%	25.22%

	For the year ended June 30, 2016					
		CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [1]	$ 496,343	$ 33	$ 280	$ 828	$ 2	$ 23,640
Contributions in relation to the actuarially determined contributions [1]	(496,343)	(33)	(280)	(828)	(2)	(23,640)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,681,695	$ 329	$ 3,644	$ 3,769	$ -	$ 110,139
Contributions as a percentage of covered payroll	18.51%	10.03%	7.68%	21.97%	0.00%	21.46%

[1] Contractually required contributions is an actuarially determined contribution for all cost-sharing plans.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedule of Employer Contributions – Pension Plans (Continued)

June 30, 2019 *

(Dollars in Thousands)

	For the year ended June 30, 2015					
		CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [1] **	$ 556,511	$ 31	$ 400	$ 598	$ 2	$ 20,718
Contributions in relation to the actuarially determined contributions [1]	(556,511)	(31)	(400)	(598)	(2)	(20,718)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,529,879	$ 319	$ 3,684	$ 3,427	$ -	$ 109,462
Contributions as a percentage of covered payroll	22.00%	9.72%	10.86%	17.45%	0.00%	18.93%

[1] Contractually required contributions is an actuarially determined contribution for all cost-sharing plans.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only five years of information is shown.

** In fiscal year 2014-15, the actuarially determined contributions were based on an estimate. The City made a $0.1 million adjustment to align the estimated employer contribution amount with the actual employer contribution per the 2015 agent-multiple employer CalPERS report for the CalPERS Safety Plan. Due to the early implementation of GASB Statement No. 82, the City decreased the actuarially determined contributions for the City SFERS plan to deduct the employer pickup in the amount of $8.6 million.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions – Pension Plans (Continued)
June 30, 2019 *
(Dollars in Thousands)

Methods and assumptions used to determine FY 2018-19 contribution rates to SFERS Plan

Valuation date	July 1, 2017
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Closed 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.50% (net of investment expenses)
Inflation	3.25% compounded annually
Projected salary increase	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2017-18 contribution rates to SFERS Plan

Valuation date	July 1, 2016
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Closed 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.50% (net of investment expenses)
Inflation	3.25% compounded annually
Projected salary increase	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2016-17 contribution rates to SFERS Plan

Valuation date	July 1, 2015
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Closed 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.50% (net of investment expenses)
Inflation	3.25% compounded annually
Projected salary increase	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2015-16 contribution rates to SFERS Plan

Valuation date	July 1, 2014
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Closed 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.50% (net of investment expenses)
Inflation	3.25% compounded annually
Projected salary increase	Wage inflation component: 3.75%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions – Pension Plans (Continued)
June 30, 2019 *
(Dollars in Thousands)

Methods and assumptions used to determine FY 2014-15 contribution rates to SFERS Plan

Valuation date	July 1, 2013
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Rolling 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.58% (net of investment expenses)
Inflation	3.33% compounded annually
Projected salary increase	Wage inflation component: 3.83%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions – Pension Plans (Continued)
June 30, 2019 *
(Dollars in Thousands)

Methods and assumptions used to determine FY 2018-19 contribution rates to CalPERS plans

Valuation date	June 30, 2017 updated to June 30, 2018
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Actuarial Value of Assets
Investment rate of return	7.15% (net of pension plan investment expense, including inflation)
Projected salary increase	Varies by Entry-Age and Service
Inflation	2.50%
Payroll growth	3.00%

Methods and assumptions used to determine FY 2017-18 contribution rates to CalPERS plans

Valuation date	June 30, 2016 updated to June 30, 2017
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Actuarial Value of Assets
Investment rate of return	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase	Varies by Entry-Age and Service
Inflation	2.75%
Payroll growth	3.00%

Methods and assumptions used to determine FY 2016-17 contribution rates to CalPERS plans

Valuation date	June 30, 2015 updated to June 30, 2016
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Actuarial Value of Assets
Investment rate of return	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase	Varies by Entry-Age and Service
Inflation	2.75%
Payroll growth	3.00%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions – Pension Plans (Continued)
June 30, 2019 *
(Dollars in Thousands)

Methods and assumptions used to determine FY 2015-16 contribution rates to CalPERS plans

Valuation date	June 30, 2014 updated to June 30, 2015
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Market Value
Investment rate of return	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans

Valuation date	June 30, 2013 updated to June 30, 2014
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	7 years as of the valuation date (Miscellaneous) 25 years as of the valuation date (Safety)
Asset valuation method	15-year smoothed market
Investment rate of return	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan
June 30, 2019
(Dollars in Thousands)

	2019		
	City Plan	Successor Agency	Transportation Authority
Total OPEB Liability			
Service cost (BOY)	$ 127,850	$ 164	$ 122
Interest (includes interest on service cost)	290,029	701	129
Changes of benefit terms	-	-	(5)
Differences between expected and actual experience	(385,732)	267	-
Changes of assumptions	111,119	1,572	-
Benefit payments, including refunds of member contributions	(178,019)	(812)	(58)
Net change in total OPEB liability	**(34,753)**	**1,892**	**188**
Total OPEB liability - beginning	**3,891,686**	**10,262**	**1,748**
Total OPEB liability - ending	**$ 3,856,933**	**$ 12,154**	**$ 1,936**
Plan fiduciary net position			
Contributions - employer	$ 203,858	$ 2,145	$ 144
Contributions - member	41,682	-	-
Net investment income	14,105	339	119
Benefit payments, including refunds of member contributions	(178,019)	(812)	(58)
Administrative expense	(137)	(11)	(1)
Net change in plan fiduciary net position	**81,489**	**1,661**	**204**
Plan fiduciary net position - beginning	**174,477**	**3,925**	**1,503**
Plan fiduciary net position - ending	**255,966**	**5,586**	**1,707**
Net OPEB liability - ending	**$ 3,600,967**	**$ 6,568**	**$ 229**
Plan fiduciary net position as a percentage of the total OPEB liability	6.6%	46.0%	88.2%
Covered payroll	$ 3,583,448	$ 5,742	$ 4,045
Net OPEB liability as a percentage of covered payroll	100.5%	114.4%	5.7%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan (Continued)
June 30, 2019
(Dollars in Thousands)

	2018		
	City Plan	Successor Agency	Transportation Authority
Total OPEB Liability			
Service cost (BOY)	$ 125,195	$ 159	$ 122
Interest (includes interest on service cost)	272,942	692	117
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Net change in total OPEB liability	**232,667**	**54**	**175**
Total OPEB liability - beginning	**3,659,019**	**10,208**	**1,573**
Total OPEB liability - ending	**$ 3,891,686**	**$ 10,262**	**$ 1,748**
Plan fiduciary net position			
Contributions - employer	$ 183,898	$ 1,097	$ 166
Contributions - member	31,686	-	-
Net investment income	17,368	353	134
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Administrative expense	(109)	(3)	(1)
Net change in plan fiduciary net position	**67,373**	**650**	**235**
Plan fiduciary net position - beginning	**107,104**	**3,275**	**1,268**
Plan fiduciary net position - ending	**174,477**	**3,925**	**1,503**
Net OPEB liability - ending	**$ 3,717,209**	**$ 6,337**	**$ 245**
Plan fiduciary net position as a percentage of the total OPEB liability	4.5%	38.2%	86.0%
Covered payroll	$ 3,393,658	$ 5,042	$ 3,946
Net OPEB liability as a percentage of covered payroll	109.5%	125.7%	6.2%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, therefore only two years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions Other Postemployment Healthcare Benefits Plans

Year Ended June 30, 2019
(In Thousands)

	For the year ended June 30, 2019		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 218,625	$ 812	$ 138
Contributions in relation to the charter required contribution or ADC	(218,625)	(2,967)	(138)
Contribution deficiency/(excess)	$ -	$ (2,155)	$ -
Covered payroll	$ 3,583,448	$ 6,384	$ 4,039
Contributions as a percentage of covered payroll	6.10%	46.48%	3.42%

	For the year ended June 30, 2018		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 203,858	$ 813	$ 143
Contributions in relation to the charter required contribution or ADC	(203,858)	(2,932)	(143)
Contribution deficiency/(excess)	$ -	$ (2,119)	$ -
Covered payroll	$ 3,393,658	$ 5,742	$ 4,045
Contributions as a percentage of covered payroll	6.01%	37.36%	3.50%

	For the year ended June 30, 2017		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 183,898	$ 804	$ 165
Contributions in relation to the charter required contribution or ADC	(183,898)	(1,097)	(165)
Contribution deficiency/(excess)	$ -	$ (293)	$ -
Covered payroll	$ 3,241,700	$ 5,042	$ 3,946
Contributions as a percentage of covered payroll	5.67%	21.76%	4.18%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, and only three years of information is available for the Successor Agency plan and the Transportation Authority plan.

Notes to Schedule:

The Transportation Authority and Successor Agency calculate their annual required contributions on an actuarially determined basis. The methods and assumptions used to determine the fiscal year 2018-19 contribution rates for the plans are as follows:

	For the year ended June 30, 2019	
Actuarial Assumption	**Successor Agency**	**Transportation Authority**
Actuarial Valuation Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry age normal cost method	Entry age normal cost method
Asset Valuation Method	Actuarial value of assets	Actuarial value of assets
General Inflation	2.75%, per annum	3.00% per annum
Salary Increases	3.00%, per annum	3.25% per annum, in aggregate
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2011	CalPERS Experience Study for the period from 1997 to 2015
Healthcare Cost Trend Rate	4.00%	Initial 7% for medicare eligibles, 9% for spouse of medicare eligibles and 4.5% non-medicare eligibles, all grading down to 4%
Investment Rate of Return	7.00%	7.28%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2019
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	$ 250,121	$ 2,342,082	$ 2,342,082	$ -
Resources (Inflows):				
Property taxes	1,728,000	2,142,727	2,246,302	103,575
Business taxes	879,380	879,414	917,811	38,397
Other local taxes:				
Sales and use tax	196,870	196,870	213,625	16,755
Hotel room tax	375,830	375,830	392,328	16,498
Utility users tax	99,090	99,090	93,918	(5,172)
Parking tax	85,540	85,540	86,020	480
Real property transfer tax	228,000	228,000	364,044	136,044
Other local taxes	68,060	68,060	65,371	(2,689)
Licenses, permits and franchises:				
Licenses and permits	13,261	13,222	12,530	(692)
Franchise tax	17,572	17,572	15,786	(1,786)
Fines, forfeitures, and penalties	3,125	3,131	5,271	2,140
Interest and investment income	27,270	20,323	80,453	60,130
Rents and concessions:				
Garages - Recreation and Park	8,938	8,938	7,726	(1,212)
Rents and concessions - Recreation and Park	5,315	5,320	5,920	600
Other rents and concessions	516	638	546	(92)
Intergovernmental:				
Federal grants and subventions	278,439	282,452	257,359	(25,093)
State subventions:				
Social service subventions	112,895	114,483	109,716	(4,767)
Health / mental health subventions	205,711	229,994	233,034	3,040
Health and welfare realignment	282,848	282,848	303,087	20,239
Public safety sales tax	104,660	104,660	107,620	2,960
Other grants and subventions	54,873	55,422	68,547	13,125
Other	12,217	2,346	2,120	(226)
Charges for services:				
General government service charges	78,120	78,936	78,512	(424)
Public safety service charges	43,737	44,098	56,588	12,490
Recreation charges - Recreation and Park	22,320	23,251	23,503	252
MediCal, MediCare and health service charges	117,117	117,055	104,711	(12,344)
Other financing sources:				
Transfers from other funds	170,671	239,056	239,056	-
Repayment of loan from component unit	87	87	-	(87)
Other resources (inflows)	41,051	29,712	31,707	1,995
Subtotal - Resources (Inflows)	5,261,513	5,749,075	6,123,211	374,136
Total amounts available for appropriation	5,511,634	8,091,157	8,465,293	374,136

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule - General Fund (continued)

Year Ended June 30, 2019
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation	$ 35,928	$ 36,083	$ 34,383	$ 1,700
District Attorney	60,667	60,239	60,070	169
Emergency Communications	61,785	56,856	56,651	205
Fire Department	361,432	374,945	374,945	-
Juvenile Probation	38,733	35,704	33,217	2,487
Police Department	542,109	542,095	542,034	61
Public Defender	38,249	38,160	37,808	352
Police Accountability	8,356	8,325	7,408	917
Sheriff	219,420	206,319	204,326	1,993
Superior Court	31,559	31,540	31,329	211
Subtotal - Public Protection	1,398,238	1,390,266	1,382,171	8,095
Public Works, Transportation and Commerce				
Board of Appeals	1,372	1,102	1,031	71
Business and Economic Development	56,800	52,549	41,199	11,350
General Services Agency - Public Works	115,771	150,763	150,258	505
Port	9,760	2	2	-
Public Utilities Commission	-	8,041	8,027	14
Municipal Transportation Agency	-	2,471	2,471	-
Subtotal - Public Works, Transportation and Commerce	183,703	214,928	202,988	11,940
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	44,859	44,968	44,645	323
Commission on the Status of Women	9,034	9,131	8,893	238
County Education Office	116	116	-	116
Environment	-	23	23	-
Homelessness and Supportive Housing	201,807	189,737	179,581	10,156
Human Rights Commission	4,727	5,123	4,696	427
Human Services	793,272	784,423	765,815	18,608
Mayor - Housing/Neighborhoods	87,712	87,371	67,655	19,716
Subtotal - Human Welfare and Neighborhood Development	1,141,527	1,120,892	1,071,308	49,584
Community Health				
Public Health	943,631	967,113	958,657	8,456
Culture and Recreation				
Academy of Sciences	6,467	6,467	6,393	74
Arts Commission	8,456	9,847	9,789	58
Asian Art Museum	11,303	11,004	10,737	267
Fine Arts Museum	18,254	18,029	17,753	276
Law Library	2,161	2,163	1,796	367
Recreation and Park Commission	109,862	106,546	105,886	660
Subtotal - Culture and Recreation	156,503	154,056	152,354	1,702

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule - General Fund (continued)

Year Ended June 30, 2019
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder	$ 35,604	$ 28,545	$ 27,821	$ 724
Board of Supervisors	15,826	15,772	15,368	404
City Attorney	19,736	23,328	11,876	11,452
City Planning	45,889	48,069	45,653	2,416
Civil Service	901	838	815	23
Controller	12,163	16,676	16,618	58
Elections	19,141	16,132	15,436	696
Ethics Commission	6,458	6,028	5,160	868
General Services Agency - Administrative Services	76,985	63,279	62,578	701
General Services Agency - Technology	8,533	5,309	5,051	258
Health Service System	593	642	485	157
Human Resources	18,669	18,991	18,777	214
Mayor	7,624	7,062	6,244	818
Retirement Services	1,581	1,385	1,385	-
Treasurer/Tax Collector	34,484	38,218	35,333	2,885
Subtotal - General Administration and Finance	304,187	290,274	268,600	21,674
General City Responsibilities				
General City Responsibilities	147,491	172,028	143,921	28,107
Other financing uses:				
Debt service	14,664	47	3	44
Transfers to other funds	1,164,612	1,468,021	1,468,021	-
Budgetary reserves and designations	57,078	-	-	-
Total charges to appropriations	5,511,634	5,777,625	5,648,023	129,602
Total Sources less Current Year Uses	$ -	$ 2,313,532	$ 2,817,270	$ 503,738

Budgetary fund balance, June 30 before reserves and designations	$ 2,817,270
Reserves and designations made from budgetary fund balance not available for appropriation	(1,686,776)
Reserves for Litigation and Contingencies and General Reserves	(317,807)
Net Available Budgetary Fund Balance, June 30	$ 812,687

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	$ 8,465,293
Difference - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(2,342,082)
Property tax revenue - Teeter Plan net change from prior year	1,702
Change in unrealized gain/(loss) on investments	36,877
Interest earnings / charges from other funds assigned to General Fund as interest adjustment	(28,807)
Interest earnings from other funds assigned to General Fund as other revenues	14,985
Grants, subventions and other receivables received after 60-day recognition period	(18,775)
Prepaid lease revenue, Civic Center Garage	84
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(239,056)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 5,890,221
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	$ 5,648,023
Difference - budget to GAAP:	
Recognition of expenditures for advances and imprest cash and capital asset acquisition for internal service fund	29
Intergovernmental expense offset	(149,525)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,468,021)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 4,030,506

Notes to Budgetary Schedule:

(a) Budgetary Data

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

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

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

Original Budget

(1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.

(2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.

(3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.

(4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.

(5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.

(6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes interim appropriation and salary ordinances.

(7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

Final Budget

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

(1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

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

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

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

(b) Budgetary Results Reconciled to Results in Accordance with Generally Accepted Accounting Principles

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget-to-actual comparison statement in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

The major differences between the Budget basis "actual" and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (Note 6), revenues not meeting the 60-day availability period and other assets not available for budgetary appropriation.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2019
(In Thousands)

The fund balance of the General Fund as of June 30, 2019, on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis	$ 2,817,270
Unrealized Gains/ (Losses) on Investments	16,275
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis	(23,793)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis	(87,794)
Pre-paid lease revenue	(6,194)
Nonspendable Fund Balance (Not Available for Appropriation)	1,259
Fund Balance - GAAP basis	$ 2,717,023

General Fund budget basis fund balance as of June 30, 2019 is composed of the following:

Not available for appropriations:		
Restricted Fund Balance:		
Rainy Day - Economic Stabilization Reserve	$ 229,069	
Rainy Day - One Time Spending Account	95,908	
Committed Fund Balance:		
Budget Stabilization Reserve	396,760	
Recreation and Parks Expenditure Saving Reserve	803	
Assigned for Encumbrances	351,446	
Assigned for Appropriation Carryforward	496,846	
Assigned for Subsequent Years' Budgets:		
Budget Savings Incentive Program City-wide	86,979	
Salaries and benefits costs (MOU)	28,965	
Subtotal		$ 1,686,776
Available for appropriations:		
Assigned for Litigation and Contingences	186,913	
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2019-20	210,638	
Unassigned - General Reserve	130,894	
Unassigned - Budget for use in fiscal year 2020-21	285,152	
Unassigned - Reserve for Other Contingencies	308,000	
Unassigned - Available for future appropriations	8,897	
Subtotal		1,130,494
Fund Balance, June 30, 2019 - Budget basis		$ 2,817,270

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COMBINING FINANCIAL STATEMENTS AND SCHEDULES

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SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Building Inspection Fund – Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings. This fund shall be used by the Department of Building Inspection to defray the costs of the Bureau of Building Inspection in processing and reviewing permits applications and plans, filed inspections, code enforcement and reproduction of documents.

Children and Families Fund – Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

Community/Neighborhood Development Fund – Accounts for various grants primarily from the Department of Housing and Urban Development including federal grants administered by the former Redevelopment Agency to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

Community Health Services Fund – Accounts for state and federal grants used to promote public health and mental health programs.

Convention Facilities Fund – Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

Courts Fund – Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

Culture and Recreation Fund – Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

Environmental Protection Fund – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

Gasoline Tax Fund – Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

General Services Fund – Accounts for the activities of several non-grant activities, generally established by administrative action.

Gift and Other Expendable Trusts Fund – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

Golf Fund – Accounts for the revenue and expenditures related to the City's six golf courses.

Human Welfare Fund – Accounts for state and federal grants used to promote education and discourage domestic violence.

SPECIAL REVENUE FUNDS (Continued)

Low and Moderate Income Housing Asset Fund – Accounts for the former Redevelopment Agency's affordable housing assets upon its dissolution on January 31, 2012.

Open Space and Park Fund – Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

Public Library Fund – Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

Public Protection Fund – Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

Public Works, Transportation and Commerce Fund – Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

Real Property Fund – Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

San Francisco County Transportation Authority Fund – Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

Senior Citizens Program Fund – Accounts for grant revenues from the federal and state government to be used to promote the well-being of San Francisco senior citizens.

War Memorial Fund – Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

General Obligation Bond Fund – Accounts for property taxes and other revenues, (including the tobacco settlement revenues in excess of the $100 million required to fund the Laguna Honda Hospital construction project) for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

Certificates of Participation (COP) Funds – Accounts for Base Rental payments from the various Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

Other Bond Funds – Accounts for funds and debt service for the revolving fund loans operated and managed by the Mayor's Office of Community Development to assist with economic development efforts in low income neighborhoods (Facade Improvement Program) and for the interim financing of revolving credit facility for the Transbay Joint Powers Authority on the Transbay Transit Center project.

CITY AND COUNTY OF SAN FRANCISCO

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

City Facilities Improvement Fund – Accounts for bond proceeds, capital lease financing, federal and local funds and transfers from other funds which are designated for various buildings and general improvements. Expenditures for acquisition and construction of public buildings and improvements are made in accordance with bond requirements and appropriation ordinances.

Fire Protection Systems Improvement Fund – Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

Moscone Convention Center Fund – Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

Recreation and Park Projects – Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

Street Improvement Fund – Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Bequest Fund – Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund: Bequest Fund	Total Nonmajor Governmental Funds
Assets:					
Deposits and investments with City Treasury	$ 1,998,719	$ 107,710	$ 427,678	$ 4,293	$ 2,538,400
Deposits and investments outside City Treasury	111,826	57,463	105,485	-	274,774
Receivables:					
Property taxes and penalties	6,318	7,637	-	-	13,955
Other local taxes	85,377	-	-	-	85,377
Federal and state grants and subventions	93,539	-	20,442	-	113,981
Charges for services	20,266	-	-	-	20,266
Interest and other	12,381	1,874	3,676	15	17,946
Due from other funds	892	-	8,752	-	9,644
Due from component unit	3,368	-	-	-	3,368
Advance to component unit	6,442	-	-	-	6,442
Loans receivable (net of allowance for uncollectible amounts)	90,553	77,998	-	-	168,551
Other assets	17,356	-	-	-	17,356
Total assets	$ 2,447,037	$ 252,682	$ 566,033	$ 4,308	$ 3,270,060
Liabilities:					
Accounts payable	$ 124,271	$ -	$ 56,269	$ 75	$ 180,615
Accrued payroll	18,573	-	563	-	19,136
Unearned grant and subvention revenue	50,020	-	3,318	-	53,338
Due to other funds	71,445	-	14,015	-	85,460
Unearned revenues and other liabilities	219,711	6,581	9,421	-	235,713
Bonds, loans, capital leases, and other payables	14,003	78,000	776	-	92,779
Total liabilities	498,023	84,581	84,362	75	667,041
Deferred inflows of resources	162,637	6,397	10,431	-	179,465
Fund balances:					
Nonspendable	140	-	-	-	140
Restricted	1,671,928	161,704	471,240	4,233	2,309,105
Assigned	114,640	-	-	-	114,640
Unassigned	(331)	-	-	-	(331)
Total fund balances	1,786,377	161,704	471,240	4,233	2,423,554
Total liabilities, deferred inflows of resources and fund balances	$ 2,447,037	$ 252,682	$ 566,033	$ 4,308	$ 3,270,060

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2019
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund: Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	$ 227,797	$ 289,672	$ -	$ -	$ 517,469
Business taxes	1,741	-	-	-	1,741
Sales and use tax	115,671	-	-	-	115,671
Hotel room tax	16,020	-	-	-	16,020
Licenses, permits, and franchises	15,456	-	-	-	15,456
Fines, forfeitures, and penalties	26,279	17,877	-	-	44,156
Interest and investment income	62,626	7,713	18,838	132	89,309
Rents and concessions	140,391	-	167	328	140,886
Intergovernmental:					
Federal	175,812	-	14,014	-	189,826
State	145,411	675	4,103	-	150,189
Other	11,196	-	314	-	11,510
Charges for services	179,726	-	-	-	179,726
Other	132,478	30,980	36,233	65	199,756
Total revenues	1,250,604	346,917	73,669	525	1,671,715
Expenditures:					
Current:					
Public protection	78,155	-	-	-	78,155
Public works, transportation and commerce	225,390	-	-	-	225,390
Human welfare and neighborhood development	626,772	-	-	-	626,772
Community health	109,210	-	-	-	109,210
Culture and recreation	299,885	-	-	1,419	301,304
General administration and finance	78,157	-	-	-	78,157
Debt service:					
Principal retirement	25,097	301,319	-	-	326,416
Interest and other fiscal charges	18,812	149,621	403	-	168,836
Bond issuance costs	771	-	105	-	876
Capital outlay	-	-	323,979	-	323,979
Total expenditures	1,462,249	450,940	324,487	1,419	2,239,095
Excess (deficiency) of revenues over (under) expenditures	(211,645)	(104,023)	(250,818)	(894)	(567,380)
Other financing sources (uses):					
Transfers in	657,549	82,383	9,283	-	749,215
Transfers out	(182,979)	(2,889)	(73)	(54)	(185,995)
Issuance of bonds and loans:					
Face value of bonds issued	72,420	-	-	-	72,420
Total other financing sources (uses)	546,990	79,494	9,210	(54)	635,640
Net changes in fund balances	335,345	(24,529)	(241,608)	(948)	68,260
Fund balances at beginning of year	1,451,032	186,233	712,848	5,181	2,355,294
Fund balances at end of year	$ 1,786,377	$ 161,704	$ 471,240	$ 4,233	$ 2,423,554

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds

June 30, 2019
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community / Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Courts Fund
Assets:						
Deposits and investments with City Treasury	$ 185,875	$ 291,623	$ 848,517	$ 38,974	$ 50,632	$ 1,079
Deposits and investments outside City Treasury	5	-	7,127	-	-	-
Receivables:						
Property taxes and penalties	-	2,810	-	-	-	-
Other local taxes	-	21,259	35,794	-	-	-
Federal and state grants and subventions	-	4,397	8,526	34,016	-	-
Charges for services	429	-	245	74	954	148
Interest and other	1,226	1,742	4,574	269	-	-
Due from other funds	392	-	-	-	-	-
Due from component unit	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	174	-	89,933	-	-	-
Other assets	-	-	14,885	-	-	-
Total assets	$ 188,101	$ 321,831	$ 1,009,601	$ 73,333	$ 51,586	$ 1,227
Liabilities:						
Accounts payable	$ 1,712	$ 31,792	$ 34,122	$ 13,757	$ 478	$ 1
Accrued payroll	1,714	731	817	1,521	35	-
Unearned grant and subvention revenues	-	1,976	1,096	3,206	-	-
Due to other funds	-	-	14,990	323	-	-
Unearned revenues and other liabilities	18,165	103,732	78,716	1	2,946	-
Bonds, loans, capital leases, and other payables	-	-	14,003	-	-	-
Total liabilities	21,591	138,231	143,744	18,808	3,459	1
Deferred inflows of resources	284	5,351	90,854	21,480	-	-
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	166,226	178,249	758,628	33,045	48,127	1,226
Assigned	-	-	16,375	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	166,226	178,249	775,003	33,045	48,127	1,226
Total liabilities, deferred inflows of resources and fund balances	$ 188,101	$ 321,831	$ 1,009,601	$ 73,333	$ 51,586	$ 1,227

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2019
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Assets:						
Deposits and investments with City Treasury	$ 26,908	$ 1,688	$ 51,609	$ 28,121	$ 18,546	$ 10,040
Deposits and investments outside City Treasury	1,636	-	-	959	3	-
Receivables:						
Property taxes and penalties	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	4	1,145	4,236	216	334	-
Charges for services	298	32	24	494	140	484
Interest and other	59	-	334	717	25	72
Due from other funds	-	3	-	-	21	-
Due from component unit	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total assets	$ 28,905	$ 2,868	$ 56,203	$ 30,507	$ 19,069	$ 10,596
Liabilities:						
Accounts payable	$ 2,329	$ 283	$ 1,817	$ 1,937	$ 534	$ 468
Accrued payroll	225	136	384	407	66	236
Unearned grant and subvention revenues	104	919	-	214	6	-
Due to other funds	-	-	-	-	-	-
Unearned revenues and other liabilities	-	-	-	775	-	-
Bonds, loans, capital leases, and other payables	-	-	-	-	-	-
Total liabilities	2,658	1,338	2,201	3,333	606	704
Deferred inflows of resources	4	544	-	83	133	-
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	20,239	986	54,002	8,906	18,330	-
Assigned	6,004	-	-	18,185	-	9,892
Unassigned	-	-	-	-	-	-
Total fund balances	26,243	986	54,002	27,091	18,330	9,892
Total liabilities, deferred inflows of resources and fund balances	$ 28,905	$ 2,868	$ 56,203	$ 30,507	$ 19,069	$ 10,596

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2019
(In Thousands)

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Assets:						
Deposits and investments with City Treasury	$ 42,643	$ 48,335	$ 52,628	$ 93,752	$ 53,451	$ 72,785
Deposits and investments outside City Treasury	-	-	-	-	-	9
Receivables:						
Property taxes and penalties	-	-	1,754	1,754	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	9,185	-	-	-	24,037	-
Charges for services	-	-	-	8	4,495	11,914
Interest and other	505	308	363	297	146	160
Due from other funds	-	-	-	-	-	3
Due from component unit	-	-	-	-	-	1,643
Advance to component unit	-	6,442	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	-	446	-	-	-	-
Other assets	221	-	1,484	-	75	2
Total assets	$ 52,554	$ 55,531	$ 56,229	$ 95,811	$ 82,204	$ 86,516
Liabilities:						
Accounts payable	$ 10,857	$ 1,705	$ 760	$ 1,991	$ 6,699	$ 3,595
Accrued payroll	212	55	951	3,654	1,525	3,833
Unearned grant and subvention revenues	28,882	-	-	-	13,593	-
Due to other funds	-	-	-	-	-	855
Unearned revenues and other liabilities	304	4,355	1,454	1,453	84	5,378
Bonds, loans, capital leases, and other payables	-	-	-	-	-	-
Total liabilities	40,255	6,115	3,165	7,098	21,901	13,661
Deferred inflows of resources	1,918	6,887	1,466	1,468	15,827	9,923
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	7,298	42,529	51,598	86,026	39,728	7,798
Assigned	3,083	-	-	1,219	4,748	55,134
Unassigned	-	-	-	-	-	-
Total fund balances	10,381	42,529	51,598	87,245	44,476	62,932
Total liabilities, deferred inflows of resources and fund balances	$ 52,554	$ 55,531	$ 56,229	$ 95,811	$ 82,204	$ 86,516

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2019
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens Program Fund	War Memorial Fund	Total
Assets:					
Deposits and investments with City Treasury	$ 29,131	$ 40,222	$ -	$ 12,160	$ 1,998,719
Deposits and investments outside City Treasury	1,000	101,087	-	-	111,826
Receivables:					
Property taxes and penalties	-	-	-	-	6,318
Other local taxes	-	28,324	-	-	85,377
Federal and state grants and subventions	-	6,238	1,205	-	93,539
Charges for services	502	-	-	25	20,266
Interest and other	94	1,412	-	78	12,381
Due from other funds	-	473	-	-	892
Due from component unit	-	1,725	-	-	3,368
Advance to component unit	-	-	-	-	6,442
Loans receivable (net of allowance for uncollectible amounts)	-	-	-	-	90,553
Other assets	549	140	-	-	17,356
Total assets	$ 31,276	$ 179,621	$ 1,205	$ 12,263	$ 2,447,037
Liabilities:					
Accounts payable	$ 4,268	$ 4,635	$ 217	$ 314	$ 124,271
Accrued payroll	1,493	200	-	378	18,573
Unearned grant and subvention revenues	-	-	24	-	50,020
Due to other funds	-	54,313	964	-	71,445
Unearned revenues and other liabilities	1,718	-	-	630	219,711
Bonds, loans, capital leases, and other payables	-	-	-	-	14,003
Total liabilities	7,479	59,148	1,205	1,322	498,023
Deferred inflows of resources	241	5,843	331	-	162,637
Fund balances:					
Nonspendable	-	140	-	-	140
Restricted	23,556	114,490	-	10,941	1,671,928
Assigned	-	-	-	-	114,640
Unassigned	-	-	(331)	-	(331)
Total fund balances	23,556	114,630	(331)	10,941	1,786,377
Total liabilities, deferred inflows of resources and fund balances	$ 31,276	$ 179,621	$ 1,205	$ 12,263	$ 2,447,037

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2019
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community / Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Courts Fund
Revenues:						
Property taxes	$ -	$ 101,009	$ -	$ -	$ -	$ -
Business taxes	-	-	1,741	-	-	-
Sales and use tax	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-
Licenses, permits, and franchises	6,533	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	916	1,817	-	7
Interest and investment income	5,756	6,290	28,593	1,443	1,083	29
Rents and concessions	-	-	718	-	63,945	-
Intergovernmental:						
Federal	-	9,913	32,609	51,854	-	-
State	-	13,151	733	49,216	-	-
Other	-	-	2,446	-	-	-
Charges for services	73,978	-	14,717	5,412	-	2,475
Other	6	400	94,798	324	7,500	-
Total revenues	86,273	130,763	177,271	110,066	72,528	2,511
Expenditures:						
Current:						
Public protection	-	-	-	-	-	394
Public works, transportation and commerce	75,126	-	26,862	-	9,377	-
Human welfare and neighborhood development	-	300,831	190,182	284	257	-
Community health	-	-	-	107,569	-	-
Culture and recreation	-	-	2,063	-	62,242	-
General administration and finance	-	25	5,189	74	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and other fiscal charges	-	-	1,317	-	-	-
Bond issuance costs	-	-	771	-	-	-
Total expenditures	75,126	300,856	226,384	107,927	71,876	394
Excess (deficiency) of revenues over (under) expenditures	11,147	(170,093)	(49,113)	2,139	652	2,117
Other financing sources (uses):						
Transfers in	-	216,683	157,615	37	56,394	690
Transfers out	(178)	(231)	(2,185)	-	(41,430)	(2,373)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	72,420	-	-	-
Total other financing sources (uses)	(178)	216,452	227,850	37	14,964	(1,683)
Net changes in fund balances	10,969	46,359	178,737	2,176	15,616	434
Fund balances at beginning of year	155,257	131,890	596,266	30,869	32,511	792
Fund balances at end of year	$ 166,226	$ 178,249	$ 775,003	$ 33,045	$ 48,127	$ 1,226

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Revenues:						
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-
Hotel room tax	16,020	-	-	-	-	-
Licenses, permits, and franchises	153	-	-	3,021	-	-
Fines, forfeitures, and penalties	-	-	-	-	801	-
Interest and investment income	594	6	1,329	572	479	301
Rents and concessions	467	-	-	1,243	-	4,237
Intergovernmental:						
Federal	30	547	-	169	-	-
State	1,918	6,867	50,836	180	-	-
Other	-	77	-	-	-	-
Charges for services	9,328	47	666	1,723	18	7,390
Other	647	183	49	569	13,345	-
Total revenues	29,157	7,727	52,880	7,477	14,643	11,928
Expenditures:						
Current:						
Public protection	-	-	-	200	476	-
Public works, transportation and commerce	1,450	-	32,497	1	3,472	-
Human welfare and neighborhood development	1,165	6,784	-	-	979	-
Community health	-	-	-	-	331	-
Culture and recreation	15,839	-	-	1,281	648	15,147
General administration and finance	14,759	161	-	3,644	53	-
Debt service:						
Principal retirement	433	-	-	-	-	-
Interest and other fiscal charges	1,027	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Total expenditures	34,673	6,945	32,497	5,126	5,959	15,147
Excess (deficiency) of revenues over (under) expenditures	(5,516)	782	20,383	2,351	8,684	(3,219)
Other financing sources (uses):						
Transfers in	15,117	28	4,059	95	-	7,425
Transfers out	(337)	(6)	(3,099)	(27)	(3,465)	(1,180)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	-	-	-	-
Total other financing sources (uses)	14,780	22	960	68	(3,465)	6,245
Net changes in fund balances	9,264	804	21,343	2,419	5,219	3,026
Fund balances at beginning of year	16,979	182	32,659	24,672	13,111	6,866
Fund balances at end of year	$ 26,243	$ 986	$ 54,002	$ 27,091	$ 18,330	$ 9,892

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Revenues:						
Property taxes	$ -	$ -	$ 63,394	$ 63,394	$ -	$ -
Business taxes	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-
Licenses, permits, and franchises	292	-	-	-	512	-
Fines, forfeitures, and penalties	15	-	-	-	22,556	167
Interest and investment income	949	5,230	1,474	2,304	1,215	1,297
Rents and concessions	-	5,257	-	3	-	69
Intergovernmental:						
Federal	37,772	-	-	-	30,871	-
State	5,254	-	157	217	15,556	-
Other	-	1,773	-	-	33	2,966
Charges for services	184	-	-	599	25,258	36,648
Other	-	12,667	-	-	12	1,811
Total revenues	44,466	24,927	65,025	66,517	96,013	42,958
Expenditures:						
Current:						
Public protection	-	-	-	-	77,085	-
Public works, transportation and commerce	4,031	-	2,273	2,263	-	36,817
Human welfare and neighborhood development	93,847	5,241	-	-	3,621	16,563
Community health	-	-	-	-	1,310	-
Culture and recreation	-	-	55,390	130,602	-	-
General administration and finance	-	-	-	-	2,832	26
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	7,566	-	-
Bond issuance costs	-	-	-	-	-	-
Total expenditures	97,878	5,241	57,663	140,431	84,848	53,406
Excess (deficiency) of revenues over (under) expenditures	(53,412)	19,686	7,362	(73,914)	11,165	(10,448)
Other financing sources (uses):						
Transfers in	59,373	-	1,280	101,823	469	22,943
Transfers out	(419)	(2)	(520)	(6,557)	(2,012)	(675)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	-	-	-	-
Total other financing sources (uses)	58,954	(2)	760	95,266	(1,543)	22,268
Net changes in fund balances	5,542	19,684	8,122	21,352	9,622	11,820
Fund balances at beginning of year	4,839	22,845	43,476	65,893	34,854	51,112
Fund balances at end of year	$ 10,381	$ 42,529	$ 51,598	$ 87,245	$ 44,476	$ 62,932

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens Program Fund	War Memorial Fund	Total
Revenues:					
Property taxes	$ -	$ -	$ -	$ -	$ 227,797
Business taxes	-	-	-	-	1,741
Sales and use tax	-	115,671	-	-	115,671
Hotel room tax	-	-	-	-	16,020
Licenses, permits, and franchises	-	4,945	-	-	15,456
Fines, forfeitures, and penalties	-	-	-	-	26,279
Interest and investment income	461	2,844	-	377	62,626
Rents and concessions	60,533	-	-	3,919	140,391
Intergovernmental:					
Federal	-	5,077	6,970	-	175,812
State	-	754	572	-	145,411
Other	684	3,217	-	-	11,196
Charges for services	704	-	-	579	179,726
Other	-	53	26	88	132,478
Total revenues	62,382	132,561	7,568	4,963	1,250,604
Expenditures:					
Current:					
Public protection	-	-	-	-	78,155
Public works, transportation and commerce	3,711	27,166	-	344	225,390
Human welfare and neighborhood development	-	-	7,018	-	626,772
Community health	-	-	-	-	109,210
Culture and recreation	-	-	-	16,673	299,885
General administration and finance	51,394	-	-	-	78,157
Debt service:					
Principal retirement	-	24,664	-	-	25,097
Interest and other fiscal charges	-	8,902	-	-	18,812
Bond issuance costs	-	-	-	-	771
Total expenditures	55,105	60,732	7,018	17,017	1,462,249
Excess (deficiency) of revenues over (under) expenditures	7,277	71,829	550	(12,054)	(211,645)
Other financing sources (uses):					
Transfers in	-	-	23	13,495	657,549
Transfers out	(8,659)	(109,571)	-	(53)	(182,979)
Issuance of bonds and loans:					
Face value of bonds issued	-	-	-	-	72,420
Total other financing sources (uses)	(8,659)	(109,571)	23	13,442	546,990
Net changes in fund balances	(1,382)	(37,742)	573	1,388	335,345
Fund balances at beginning of year	24,938	152,372	(904)	9,553	1,451,032
Fund balances at end of year	$ 23,556	$ 114,630	$ (331)	$ 10,941	$ 1,786,377

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2019
(In Thousands)

	Building Inspection Fund				Children and Families Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 101,700	$ 101,700	$ 101,009	$ (691)
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	6,696	6,696	6,533	(163)	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	559	559	3,921	3,362	273	3,489	4,161	672
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	9,595	10,294	9,444	(850)
State	-	-	-	-	13,735	13,591	13,961	370
Other	-	-	-	-	-	-	-	-
Charges for services	63,457	63,718	74,089	10,371	-	-	-	-
Other	-	-	6	6	444	400	400	-
Total revenues	70,712	70,973	84,549	13,576	125,747	129,474	128,975	(499)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	76,665	79,552	75,126	4,426	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	257,751	301,955	300,831	1,124
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	25	25	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	76,665	79,552	75,126	4,426	257,751	301,980	300,856	1,124
Excess (deficiency) of revenues over (under) expenditures	(5,953)	(8,579)	9,423	18,002	(132,004)	(172,506)	(171,881)	625
Other financing sources (uses):								
Transfers in	-	-	-	-	121,333	216,683	216,683	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	121,333	216,683	216,683	-
Net changes in fund balances	(5,953)	(8,579)	9,423	18,002	(10,671)	44,177	44,802	625
Budgetary fund balances, July 1	5,953	156,191	156,191	-	10,671	135,394	135,394	-
Budgetary fund balances, June 30	$ -	$ 147,612	$ 165,614	$ 18,002	$ -	$ 179,571	$ 180,196	$ 625

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Community / Neighborhood Development Fund				Community Health Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	2,100	1,741	1,741	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	915	916	1	2,400	1,817	1,817	-
Interest and investment income	9	21,666	21,666	-	210	1,110	1,110	-
Rents and concessions	30	718	718	-	-	-	-	-
Intergovernmental:								
Federal	5,283	32,052	32,052	-	60,189	56,333	56,333	-
State	975	894	894	-	37,032	49,062	49,062	-
Other	-	2,446	2,446	-	-	-	-	-
Charges for services	9,335	14,777	14,717	(60)	130	5,413	5,412	(1)
Other	99,526	94,709	94,709	-	380	349	349	-
Total revenues	117,258	169,918	169,859	(59)	100,341	114,084	114,083	(1)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	53,140	24,362	24,362	-	-	-	-	-
Human welfare and neighborhood development	64,278	187,045	186,273	772	610	284	284	-
Community health	-	-	-	-	99,731	107,587	107,532	55
Culture and recreation	4,718	2,063	2,063	-	-	-	-	-
General administration and finance	7,896	5,189	5,189	-	-	74	74	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	1,317	1,317	-	-	-	-	-
Bond issuance costs	-	565	565	-	-	-	-	-
Total expenditures	130,032	220,541	219,769	772	100,341	107,945	107,890	55
Excess (deficiency) of revenues over (under) expenditures	(12,774)	(50,623)	(49,910)	713	-	6,139	6,193	54
Other financing sources (uses):								
Transfers in	1	157,615	157,615	-	-	-	-	-
Transfers out	(10)	(4,055)	(4,055)	-	-	-	-	-
Issuance of commercial paper	-	763	763	-	-	-	-	-
Issuance of bonds	-	72,214	72,214	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(9)	226,537	226,537	-	-	-	-	-
Net changes in fund balances	(12,783)	175,914	176,627	713	-	6,139	6,193	54
Budgetary fund balances, July 1	12,783	618,230	618,230	-	-	48,097	48,097	-
Budgetary fund balances, June 30	$ -	$ 794,144	$ 794,857	$ 713	$ -	$ 54,236	$ 54,290	$ 54

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Convention Facilities Fund				Courts Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	4	4	7	3
Interest and investment income	-	26	26	-	-	-	-	-
Rents and concessions	52,848	60,607	63,945	3,338	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	2,111	2,111	2,475	364
Other	7,650	7,650	7,500	(150)	-	-	-	-
Total revenues	60,498	68,283	71,471	3,188	2,115	2,115	2,482	367
Expenditures:								
Current:								
Public protection	-	-	-	-	2,805	473	394	79
Public works, transportation and commerce	-	9,377	9,377	-	-	-	-	-
Human welfare and neighborhood development	-	257	257	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	89,616	66,257	62,242	4,015	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	28,000	506	506	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	117,616	76,397	72,382	4,015	2,805	473	394	79
Excess (deficiency) of revenues over (under) expenditures	(57,118)	(8,114)	(911)	7,203	(690)	1,642	2,088	446
Other financing sources (uses):								
Transfers in	53,568	56,394	56,394	-	690	690	690	-
Transfers out	-	(39,867)	(39,867)	-	-	(2,344)	(2,344)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	53,568	16,527	16,527	-	690	(1,654)	(1,654)	-
Net changes in fund balances	(3,550)	8,413	15,616	7,203	-	(12)	434	446
Budgetary fund balances, July 1	3,550	37,279	37,279	-	-	802	802	-
Budgetary fund balances, June 30	$ -	$ 45,692	$ 52,895	$ 7,203	$ -	$ 790	$ 1,236	$ 446

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2019
(In Thousands)

	Culture and Recreation Fund				Environmental Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	16,020	16,020	16,020	-	-	-	-	-
Licenses, permits, and franchises	138	153	153	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	25	204	179	(25)	-	-	-	-
Rents and concessions	474	474	467	(7)	-	-	-	-
Intergovernmental:								
Federal	-	30	30	-	400	438	438	-
State	-	1,850	1,850	-	986	6,777	6,777	-
Other	-	-	-	-	-	91	91	-
Charges for services	9,072	8,860	9,327	467	55	59	47	(12)
Other	1,818	647	647	-	1,689	1,873	183	(1,690)
Total revenues	27,547	28,238	28,673	435	3,130	9,238	7,536	(1,702)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	1,069	1,450	1,450	-	-	-	-	-
Human welfare and neighborhood development	1,500	1,165	1,165	-	2,720	8,666	6,784	1,882
Community health	-	-	-	-	-	-	-	-
Culture and recreation	22,079	16,190	15,839	351	-	-	-	-
General administration and finance	15,330	14,759	14,759	-	400	161	161	-
Debt service:								
Principal retirement	691	433	433	-	-	-	-	-
Interest and other fiscal charges	1,049	1,310	1,310	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	41,718	35,307	34,956	351	3,120	8,827	6,945	1,882
Excess (deficiency) of revenues over (under) expenditures	(14,171)	(7,069)	(6,283)	786	10	411	591	180
Other financing sources (uses):								
Transfers in	14,094	15,117	15,117	-	-	28	28	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	(10)	-	-	-
Total other financing sources (uses)	14,094	15,117	15,117	-	(10)	28	28	-
Net changes in fund balances	(77)	8,048	8,834	786	-	439	619	180
Budgetary fund balances, July 1	77	20,611	20,611	-	-	910	910	-
Budgetary fund balances, June 30	$ -	$ 28,659	$ 29,445	$ 786	$ -	$ 1,349	$ 1,529	$ 180

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2019
(In Thousands)

	Gasoline Tax Fund				General Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	3,081	2,409	2,409	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	42	409	975	566	45	399	399	-
Rents and concessions	-	-	-	-	-	1,243	1,243	-
Intergovernmental:								
Federal	-	-	-	-	-	169	169	-
State	42,651	49,414	50,836	1,422	750	180	180	-
Other	-	-	-	-	-	-	-	-
Charges for services	8,939	800	666	(134)	1,913	1,713	1,723	10
Other	-	-	42	42	1,004	638	638	-
Total revenues	51,632	50,623	52,519	1,896	6,793	6,751	6,761	10
Expenditures:								
Current:								
Public protection	-	-	-	-	280	200	200	-
Public works, transportation and commerce	53,299	32,475	32,450	25	-	1	1	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	1,281	1,281	-
General administration and finance	-	-	-	-	9,105	3,644	3,644	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	53,299	32,475	32,450	25	9,385	5,126	5,126	-
Excess (deficiency) of revenues over (under) expenditures	(1,667)	18,148	20,069	1,921	(2,592)	1,625	1,635	10
Other financing sources (uses):								
Transfers in	4,011	4,011	4,011	-	159	95	95	-
Transfers out	(3,099)	(3,099)	(3,099)	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	46	-	-	-
Total other financing sources (uses)	912	912	912	-	205	95	95	-
Net changes in fund balances	(755)	19,060	20,981	1,921	(2,387)	1,720	1,730	10
Budgetary fund balances, July 1	755	32,803	32,803	-	2,387	25,386	25,386	-
Budgetary fund balances, June 30	$ -	$ 51,863	$ 53,784	$ 1,921	$ -	$ 27,106	$ 27,116	$ 10

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2019
(In Thousands)

	Gift and Other Expendable Trusts Fund				Golf Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	848	848	-	-	-	-	-
Interest and investment income	-	80	80	-	20	89	221	132
Rents and concessions	-	-	-	-	3,899	3,899	4,237	338
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	18	18	-	7,133	7,457	7,390	(67)
Other	1,954	13,408	13,406	(2)	-	-	-	-
Total revenues	1,954	14,354	14,352	(2)	11,052	11,445	11,848	403
Expenditures:								
Current:								
Public protection	-	476	476	-	-	-	-	-
Public works, transportation and commerce	-	3,472	3,472	-	-	-	-	-
Human welfare and neighborhood development	601	979	979	-	-	-	-	-
Community health	306	331	331	-	-	-	-	-
Culture and recreation	447	648	648	-	17,569	17,155	15,147	2,008
General administration and finance	-	53	53	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	1,354	5,959	5,959	-	17,569	17,155	15,147	2,008
Excess (deficiency) of revenues over (under) expenditures	600	8,395	8,393	(2)	(6,517)	(5,710)	(3,299)	2,411
Other financing sources (uses):								
Transfers in	-	-	-	-	7,425	7,425	7,425	-
Transfers out	(600)	(3,100)	(3,100)	-	(1,180)	(1,180)	(1,180)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(600)	(3,100)	(3,100)	-	6,245	6,245	6,245	-
Net changes in fund balances	-	5,295	5,293	(2)	(272)	535	2,946	2,411
Budgetary fund balances, July 1	-	13,144	13,144	-	272	6,910	6,910	-
Budgetary fund balances, June 30	$ -	$ 18,439	$ 18,437	$ (2)	$ -	$ 7,445	$ 9,856	$ 2,411

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2019
(In Thousands)

	Human Welfare Fund				Low and Moderate Income Housing Asset Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	270	270	292	22	-	-	-	-
Fines, forfeitures, and penalties	-	-	15	15	-	-	-	-
Interest and investment income	-	475	475	-	-	4,881	4,881	-
Rents and concessions	-	-	-	-	5,000	5,257	5,257	-
Intergovernmental:								
Federal	46,429	36,206	36,206	-	-	-	-	-
State	30,395	5,253	5,253	-	-	-	-	-
Other	200	-	-	-	1,773	1,773	1,773	-
Charges for services	161	184	184	-	-	-	-	-
Other	-	-	-	-	-	12,667	12,667	-
Total revenues	77,455	42,388	42,425	37	6,773	24,578	24,578	-
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	4,031	4,031	-	-	-	-	-
Human welfare and neighborhood development	136,913	94,041	93,847	194	5,000	5,241	5,241	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	1,773	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	136,913	98,072	97,878	194	6,773	5,241	5,241	-
Excess (deficiency) of revenues over (under) expenditures	(59,458)	(55,684)	(55,453)	231	-	19,337	19,337	-
Other financing sources (uses):								
Transfers in	59,365	59,373	59,373	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	59,365	59,373	59,373	-	-	-	-	-
Net changes in fund balances	(93)	3,689	3,920	231	-	19,337	19,337	-
Budgetary fund balances, July 1	93	8,319	8,319	-	-	28,068	28,068	-
Budgetary fund balances, June 30	$ -	$ 12,008	$ 12,239	$ 231	$ -	$ 47,405	$ 47,405	$ -

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2019
(In Thousands)

	Open Space and Park Fund				Public Library Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ 63,568	$ 63,568	$ 63,394	$ (174)	$ 63,568	$ 63,568	$ 63,394	$ (174)
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	150	197	1,015	818	222	249	823	574
Rents and concessions	-	-	-	-	4	4	3	(1)
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	170	170	157	(13)	220	230	217	(13)
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	691	695	601	(94)
Other	-	-	-	-	-	-	-	-
Total revenues	63,888	63,935	64,566	631	64,705	64,746	65,038	292
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	2,273	2,273	-	-	2,263	2,263	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	76,698	56,302	55,390	912	160,424	130,681	130,602	79
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	7,566	7,566	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	76,698	58,575	57,663	912	160,424	140,510	140,431	79
Excess (deficiency) of revenues over (under) expenditures	(12,810)	5,360	6,903	1,543	(95,719)	(75,764)	(75,393)	371
Other financing sources (uses):								
Transfers in	1,180	1,280	1,280	-	83,800	101,823	101,823	-
Transfers out	(520)	(520)	(520)	-	-	(5,550)	(5,550)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	660	760	760	-	83,800	96,273	96,273	-
Net changes in fund balances	(12,150)	6,120	7,663	1,543	(11,919)	20,509	20,880	371
Budgetary fund balances, July 1	12,150	43,719	43,719	-	11,919	68,959	68,959	-
Budgetary fund balances, June 30	$ -	$ 49,839	$ 51,382	$ 1,543	$ -	$ 89,468	$ 89,839	$ 371

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2019
(In Thousands)

	Public Protection Fund				Public Works, Transportation and Commerce Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	1,032	512	512	-	-	-	-	-
Fines, forfeitures, and penalties	6,108	22,556	22,556	-	-	1,156	1,156	-
Interest and investment income	3	305	305	-	-	499	499	-
Rents and concessions	-	-	-	-	-	59	69	10
Intergovernmental:								
Federal	32,926	35,530	35,530	-	-	-	-	-
State	16,871	15,288	15,288	-	-	-	-	-
Other	17	33	33	-	-	1,789	1,789	-
Charges for services	4,478	25,617	25,617	-	19,072	42,844	42,891	47
Other	-	12	12	-	-	1,959	1,964	5
Total revenues	61,435	99,853	99,853	-	19,072	48,306	48,368	62
Expenditures:								
Current:								
Public protection	51,846	77,090	77,085	5	-	-	-	-
Public works, transportation and commerce	-	-	-	-	22,270	41,321	36,843	4,478
Human welfare and neighborhood development	3,931	3,621	3,621	-	16,572	17,353	16,563	790
Community health	1,896	1,310	1,310	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	4,332	2,832	2,832	-	-	26	26	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	62,005	84,853	84,848	5	38,842	58,700	53,432	5,268
Excess (deficiency) of revenues over (under) expenditures	(570)	15,000	15,005	5	(19,770)	(10,394)	(5,064)	5,330
Other financing sources (uses):								
Transfers in	-	469	469	-	19,770	22,943	22,943	-
Transfers out	(1,238)	(1,234)	(1,234)	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,238)	(765)	(765)	-	19,770	22,943	22,943	-
Net changes in fund balances	(1,808)	14,235	14,240	5	-	12,549	17,879	5,330
Budgetary fund balances, July 1	1,808	46,564	46,564	-	-	53,241	53,241	-
Budgetary fund balances, June 30	$ -	$ 60,799	$ 60,804	$ 5	$ -	$ 65,790	$ 71,120	$ 5,330

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2019
(In Thousands)

	Real Property Fund				San Francisco County Transportation Authority Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	106,462	109,655	115,671	6,016
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	4,930	4,930	4,945	15
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	296	296	545	2,522	2,844	322
Rents and concessions	17,315	64,077	60,531	(3,546)	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	6,276	11,588	5,077	(6,511)
State	-	-	-	-	-	499	754	255
Other	6,174	6,174	684	(5,490)	4,959	6,619	3,217	(3,402)
Charges for services	670	670	704	34	-	-	-	-
Other	1,800	1,800	-	(1,800)	45	52	53	1
Total revenues	25,959	72,721	62,215	(10,506)	123,217	135,865	132,561	(3,304)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	3,722	3,711	11	229,648	183,167	136,736	46,431
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	29,011	55,233	51,153	4,080	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	25,000	24,663	24,664	(1)
Interest and other fiscal charges	-	-	-	-	8,412	8,960	8,902	58
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	29,011	58,955	54,864	4,091	263,060	216,790	170,302	46,488
Excess (deficiency) of revenues over (under) expenditures	(3,052)	13,766	7,351	(6,415)	(139,843)	(80,925)	(37,741)	43,184
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(8,546)	(8,546)	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	121,000	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(8,546)	(8,546)	-	121,000	-	-	-
Net changes in fund balances	(3,052)	5,220	(1,195)	(6,415)	(18,843)	(80,925)	(37,741)	43,184
Budgetary fund balances, July 1	3,052	24,522	24,522	-	152,371	152,371	152,371	-
Budgetary fund balances, June 30	$ -	$ 29,742	$ 23,327	$ (6,415)	$ 133,528	$ 71,446	$ 114,630	$ 43,184

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2019
(In Thousands)

	Senior Citizens Program Fund				War Memorial Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	101	240	139
Rents and concessions	-	-	-	-	3,024	3,649	3,919	270
Intergovernmental:								
Federal	5,232	6,411	6,411	-	-	-	-	-
State	626	557	557	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	389	476	579	103
Other	-	26	26	-	-	88	88	-
Total revenues	5,858	6,994	6,994	-	3,413	4,314	4,826	512
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	344	344	-
Human welfare and neighborhood development	5,858	6,994	6,994	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	17,544	17,291	16,673	618
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	5,858	6,994	6,994	-	17,544	17,635	17,017	618
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	(14,131)	(13,321)	(12,191)	1,130
Other financing sources (uses):								
Transfers in	-	-	-	-	13,495	13,495	13,495	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	13,495	13,495	13,495	-
Net changes in fund balances	-	-	-	-	(636)	174	1,304	1,130
Budgetary fund balances, July 1	-	1	1	-	636	9,561	9,561	-
Budgetary fund balances, June 30	$ -	$ 1	$ 1	$ -	$ -	$ 9,735	$ 10,865	$ 1,130

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2019
(In Thousands)

	Total			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 228,836	$ 228,836	$ 227,797	$ (1,039)
Business taxes	2,100	1,741	1,741	-
Sales and use tax	106,462	109,655	115,671	6,016
Hotel room tax	16,020	16,020	16,020	-
Licenses, permits, and franchises	16,147	14,970	14,844	(126)
Fines, forfeitures, and penalties	8,512	27,296	27,315	19
Interest and investment income	2,103	37,260	44,116	6,856
Rents and concessions	82,594	139,987	140,389	402
Intergovernmental:				
Federal	166,330	189,051	181,690	(7,361)
State	144,411	143,765	145,786	2,021
Other	13,123	18,925	10,033	(8,892)
Charges for services	127,606	175,412	186,440	11,028
Other	116,310	136,278	132,690	(3,588)
Total revenues	1,030,554	1,239,196	1,244,532	5,336
Expenditures:				
Current:				
Public protection	54,931	78,239	78,155	84
Public works, transportation and commerce	436,091	387,810	332,439	55,371
Human welfare and neighborhood development	495,734	627,601	622,839	4,762
Community health	101,933	109,228	109,173	55
Culture and recreation	389,095	307,868	299,885	7,983
General administration and finance	66,074	81,996	77,916	4,080
Debt service:				
Principal retirement	55,464	25,602	25,603	(1)
Interest and other fiscal charges	9,461	19,153	19,095	58
Bond issuance costs	-	565	565	-
Total expenditures	1,608,783	1,638,062	1,565,670	72,392
Excess (deficiency) of revenues over (under) expenditures	(578,229)	(398,866)	(321,138)	77,728
Other financing sources (uses):				
Transfers in	378,891	657,441	657,441	-
Transfers out	(6,647)	(69,495)	(69,495)	-
Issuance of commercial paper	-	763	763	-
Issuance of bonds	121,000	72,214	72,214	-
Budget reserves and designations	36	-	-	-
Total other financing sources (uses)	493,280	660,923	660,923	-
Net changes in fund balances	(84,949)	262,057	339,785	77,728
Budgetary fund balances, July 1	218,477	1,531,082	1,531,082	-
Budgetary fund balances, June 30	$ 133,528	$ 1,793,139	$ 1,870,867	$ 77,728

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds

Year Ended June 30, 2019
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection	$ 76,665	$ 79,442	$ 75,016	$ 4,426
Public Works	-	110	110	-
	76,665	79,552	75,126	4,426
Total Building Inspection Fund	76,665	79,552	75,126	4,426
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services	12,777	12,953	12,953	-
Children and Families Commission	11,436	9,744	9,744	-
Human Services	42,219	32,730	32,241	489
Mayor's Office	191,319	246,528	245,893	635
	257,751	301,955	300,831	1,124
General Administration and Finance				
Administrative Services	-	25	25	-
Total Children and Families Fund	257,751	301,980	300,856	1,124
COMMUNITY / NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Mayor's Office	4,738	6,125	6,125	-
Municipal Transportation Agency	-	658	658	-
Public Works	48,402	17,548	17,548	-
Public Utilities Commission	-	31	31	-
	53,140	24,362	24,362	-
Human Welfare and Neighborhood Development				
Homelessness And Supportive Housing	-	1,423	1,423	-
Human Services	12,280	3,331	3,331	-
Mayor's Office	43,454	173,793	173,793	-
Rent Arbitration Board	8,544	8,498	7,726	772
	64,278	187,045	186,273	772
Culture and Recreation				
Arts Commission	50	44	44	-
Recreation and Park Commission	4,668	2,019	2,019	-
	4,718	2,063	2,063	-
General Administration and Finance				
Administrative Services	2,300	3,094	3,094	-
City Planning	5,596	2,095	2,095	-
	7,896	5,189	5,189	-
Total Community / Neighborhood Development Fund	130,032	218,659	217,887	772
COMMUNITY HEALTH SERVICES FUND				
Community Health				
Community Health Network	99,731	107,587	107,532	55
General Administration and Finance				
Administrative Services	-	74	74	-
Human Welfare and Neighborhood Development				
Homelessness And Supportive Housing	610	284	284	-
Total Community Health Services Fund	100,341	107,945	107,890	55

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
CONVENTION FACILITIES FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	123	123	-
Public Works	-	9,254	9,254	-
	-	9,377	9,377	-
Human Welfare and Neighborhood Development				
Mayor's Office	-	257	257	-
Culture and Recreation				
Administrative Services	89,616	66,257	62,242	4,015
Total Convention Facilities Fund	89,616	75,891	71,876	4,015
COURTS FUND				
Public Protection				
Trial Courts	2,805	473	394	79
Total Courts Fund	2,805	473	394	79
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office	1,069	715	715	-
Public Works	-	735	735	-
	1,069	1,450	1,450	-
Human Welfare and Neighborhood Development				
Mayor's Office	1,500	1,165	1,165	-
Culture and Recreation				
Arts Commission	11,536	8,278	8,278	-
Asian Art Museum	695	367	367	-
Fine Arts Museums	4,088	4,352	4,352	-
Recreation and Park Commission	5,760	3,193	2,842	351
	22,079	16,190	15,839	351
General Administration and Finance				
Administrative Services	15,330	14,759	14,759	-
Total Culture and Recreation Fund	39,978	33,564	33,213	351
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	2,720	8,666	6,784	1,882
General Administration and Finance				
City Planning	400	161	161	-
Total Environmental Protection Fund	3,120	8,827	6,945	1,882
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	366	366	-
Public Utilities Commission	-	1,007	1,007	-
Public Works	53,299	31,102	31,077	25
Total Gasoline Tax Fund	53,299	32,475	32,450	25

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GENERAL SERVICES FUND				
Public Protection				
District Attorney	280	200	200	-
Public Works, Transportation and Commerce				
Public Works	-	1	1	-
Culture and Recreation				
Fine Arts Museum	-	1,281	1,281	-
General Administration and Finance				
Administrative Services	223	132	132	-
Assessor / Recorder	4,734	2,067	2,067	-
Board of Supervisors	18	44	44	-
Elections	-	60	60	-
Human Resources	120	69	69	-
Mayor's Office	150	-	-	-
Telecommunications and Information Services	3,126	834	834	-
Treasurer/Tax Collector	734	438	438	-
	9,105	3,644	3,644	-
Total General Services Fund	9,385	5,126	5,126	-
GIFT AND OTHER EXPENDABLE TRUSTS FUND				
Public Protection				
Fire Department	-	45	45	-
Police Department	-	431	431	-
	-	476	476	-
Public Works, Transportation and Commerce				
PUC	-	5	5	-
Public Works	-	3,467	3,467	-
	-	3,472	3,472	-
Human Welfare and Neighborhood Development				
Environment	45	260	260	-
Homelessness And Supportive Housing	-	664	664	-
Social Services	534	32	32	-
Commission on Status of Women	22	23	23	-
	601	979	979	-
Community Health				
Community Health Network	306	331	331	-
Culture and Recreation				
Arts Commission	-	115	115	-
Fine Arts Museums	-	150	150	-
Public Library	5	13	13	-
Recreation and Park Commission	442	370	370	-
	447	648	648	-
General Administration and Finance				
Administrative Services	-	52	52	-
Telecommunications and Information Services	-	1	1	-
	-	53	53	-
Total Gift and Other Expendable Trusts Fund	1,354	5,959	5,959	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GOLF FUND				
Culture and Recreation				
Recreation and Park Commission	17,569	17,155	15,147	2,008
Total Golf Fund	17,569	17,155	15,147	2,008
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women	363	436	333	103
Homelessness And Supportive Housing	74,482	35,377	35,292	85
Social Services	62,068	58,228	58,222	6
	136,913	94,041	93,847	194
Public Works, Transportation and Commerce				
Public Utilities Commission	-	118	118	-
Public Works	-	3,913	3,913	-
	-	4,031	4,031	-
Total Human Welfare Fund	136,913	98,072	97,878	194
LOW AND MODERATE INCOME HOUSING ASSET FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	5,000	5,241	5,241	-
Total Low and Moderate Income Housing Asset Fund	5,000	5,241	5,241	-
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	180	180	-
Public Works	-	2,093	2,093	-
	-	2,273	2,273	-
Culture and Recreation				
Arts Commission	-	5	5	-
Recreation and Park Commission	76,698	56,297	55,385	912
	76,698	56,302	55,390	912
Total Open Space and Park Fund	76,698	58,575	57,663	912
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Works	-	2,263	2,263	-
Culture and Recreation				
Public Library	160,424	130,681	130,602	79
Total Public Library Fund	160,424	132,944	132,865	79
PUBLIC PROTECTION FUND				
Public Protection				
Adult Probation	4,476	5,037	5,037	-
District Attorney	6,720	6,887	6,887	-
Emergency Communications Department	25,389	25,531	25,531	-
Fire Department	2	3,654	3,654	-
Juvenile Probation	2,291	1,485	1,484	1
Police Commission	8,652	29,773	29,770	3
Public Defender	457	460	459	1
Sheriff	3,859	4,263	4,263	-
	51,846	77,090	77,085	5
Community Health				
Public Health	1,896	1,310	1,310	-
Human Welfare and Neighborhood Development				
Mayor's Office	3,931	3,520	3,520	-
Commission on Status of Women	-	101	101	-
	3,931	3,621	3,621	-
General Administration and Finance				
City Attorney	4,332	2,832	2,832	-
Total Public Protection Fund	62,005	84,853	84,848	5

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Public Works	22,270	41,321	36,843	4,478
Human Welfare and Neighborhood Development				
Mayor's Office	16,572	17,353	16,563	790
General Administration and Finance				
City Planning	-	26	26	-
Total Public Works, Transportation and Commerce Fund	38,842	58,700	53,432	5,268
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	12	1	11
Public Works	-	3,710	3,710	-
	-	3,722	3,711	11
General Administration and Finance				
Administrative Services	29,011	55,233	51,153	4,080
Total Real Property Fund	29,011	58,955	54,864	4,091
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors	229,648	183,167	136,736	46,431
Total SF County Transportation Authority Fund	229,648	183,167	136,736	46,431
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Social Services Department	5,858	6,994	6,994	-
Total Senior Citizens' Program Fund	5,858	6,994	6,994	-
WAR MEMORIAL FUND				
Culture and Recreation				
War Memorial	17,544	17,291	16,673	618
Public Works, Transportation and Commerce				
Public Works	-	344	344	-
Total War Memorial Fund	17,544	17,635	17,017	618
Total Special Revenue Funds With Legally Adopted Budgets	$ 1,543,858	$ 1,592,742	$ 1,520,407	$ 72,335

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Debt Service Funds
June 30, 2019
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Assets:				
Deposits and investments with City Treasury	$ 107,707	$ -	$ 3	$ 107,710
Deposits and investments outside City Treasury	-	57,428	35	57,463
Receivables:				
Property taxes and penalties	7,637	-	-	7,637
Interest and other	1,783	91	-	1,874
Loans receivable (net of allowance for uncollectible amounts)	-	-	77,998	77,998
Total assets	$ 117,127	$ 57,519	$ 78,036	$ 252,682
Liabilities:				
Unearned revenues and other liabilities	$ 6,581	$ -	$ -	$ 6,581
Bonds, loans, capital leases, and other payables	-	-	78,000	78,000
Total liabilities	6,581	-	78,000	84,581
Deferred inflows of resources	6,397	-	-	6,397
Fund balances:				
Restricted	104,149	57,519	36	161,704
Total fund balances	104,149	57,519	36	161,704
Total liabilities, deferred inflows of resources and fund balances	$ 117,127	$ 57,519	$ 78,036	$ 252,682

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Debt Service Funds
Year Ended June 30, 2019
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Revenues:				
Property taxes	$ 289,672	$ -	$ -	$ 289,672
Fines, forfeitures, and penalties	17,877	-	-	17,877
Interest and investment income	5,814	1,889	10	7,713
Intergovernmental				
State	675	-	-	675
Other	28,054	-	2,926	30,980
Total revenues	342,092	1,889	2,936	346,917
Expenditures:				
Debt service:				
Principal retirement	258,966	39,110	3,243	301,319
Interest and other fiscal charges	107,138	39,064	3,419	149,621
Total expenditures	366,104	78,174	6,662	450,940
Deficiency of revenues under expenditures	(24,012)	(76,285)	(3,726)	(104,023)
Other financing sources (uses):				
Transfers in	395	78,249	3,739	82,383
Transfers out	-	(2,889)	-	(2,889)
Total other financing sources (uses)	395	75,360	3,739	79,494
Net changes in fund balances	(23,617)	(925)	13	(24,529)
Fund balances at beginning of year	127,766	58,444	23	186,233
Fund balances at end of year	$ 104,149	$ 57,519	$ 36	$ 161,704

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Debt Service Fund
Year Ended June 30, 2019
(In Thousands)

	General Obligation Bond Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 213,057	$ 299,331	$ 289,672	$ (9,659)
Fines, forfeitures, and penalties	18,474	18,474	17,877	(597)
Interest and investment income	-	-	4,659	4,659
Intergovernmental				
State	800	800	675	(125)
Other	-	24,250	28,054	3,804
Total revenues	232,331	342,855	340,937	(1,918)
Expenditures:				
Debt service:				
Principal retirement	225,207	260,372	258,966	1,406
Interest and other fiscal charges	7,761	107,138	107,138	-
Total expenditures	232,968	367,510	366,104	1,406
Deficiency of revenues under expenditures	(637)	(24,655)	(25,167)	(512)
Other financing sources:				
Transfers in	-	395	395	-
Net changes in fund balance	(637)	(24,260)	(24,772)	(512)
Budgetary fund balance, July 1	637	136,654	136,654	-
Budgetary fund balance, June 30	$ -	$ 112,394	$ 111,882	$ (512)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds
June 30, 2019
(In Thousands)

	City Facilities Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Assets:			
Deposits and investments with City Treasury	$ 324,734	$ 449	$ -
Deposits and investments outside City Treasury	74,943	-	30,542
Receivables:			
Federal and state grants and subventions	-	-	-
Interest and other	2,837	4	50
Due from other funds	-	-	-
Total assets	$ 402,514	$ 453	$ 30,592
Liabilities:			
Accounts payable	$ 32,926	$ 20	$ 12,293
Accrued payroll	379	-	12
Unearned grant and subvention revenue	-	-	-
Due to other funds	-	-	14,015
Unearned revenues and other liabilities	-	10	-
Bonds, loans, capital leases, and other payables	776	-	-
Total liabilities	34,081	30	26,320
Deferred inflows of resources	-	-	-
Fund balances:			
Restricted	368,433	423	4,272
Total fund balances	368,433	423	4,272
Total liabilities, deferred inflows of resources and fund balances	$ 402,514	$ 453	$ 30,592

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds (Continued)
June 30, 2019
(In Thousands)

	Recreation and Park Projects	Street Improvement Fund	Total
Assets:			
Deposits and investments with City Treasury	$ 88,965	$ 13,530	$ 427,678
Deposits and investments outside City Treasury	-	-	105,485
Receivables:			
Federal and state grants and subventions	2,155	18,287	20,442
Interest and other	627	158	3,676
Due from other funds	-	8,752	8,752
Total assets	$ 91,747	$ 40,727	$ 566,033
Liabilities:			
Accounts payable	$ 2,610	$ 8,420	$ 56,269
Accrued payroll	90	82	563
Unearned grant and subvention revenue	3,318	-	3,318
Due to other funds	-	-	14,015
Unearned revenues and other liabilities	-	9,411	9,421
Bonds, loans, capital leases, and other payables	-	-	776
Total liabilities	6,018	17,913	84,362
Deferred inflows of resources	2,155	8,276	10,431
Fund balances:			
Restricted	83,574	14,538	471,240
Total fund balances	83,574	14,538	471,240
Total liabilities, deferred inflows of resources and fund balances	$ 91,747	$ 40,727	$ 566,033

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Capital Projects Funds
Year Ended June 30, 2019
(In Thousands)

	City Facilities Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Revenues:			
Interest and investment income	$ 14,000	$ 25	$ 988
Rents and concessions	-	-	-
Intergovernmental:			
Federal	-	-	-
State	-	-	-
Other	-	-	-
Other	28,993	-	-
Total revenues	42,993	25	988
Expenditures:			
Debt service:			
Interest and other fiscal charges	400	-	-
Bond issuance costs	56	-	-
Capital outlay	191,422	618	66,083
Total expenditures	191,878	618	66,083
Deficiency of revenues under expenditures	(148,885)	(593)	(65,095)
Other financing sources (uses):			
Transfers in	707	-	662
Transfers out	(2)	-	-
Total other financing sources (uses)	705	-	662
Net changes in fund balances	(148,180)	(593)	(64,433)
Fund balances at beginning of year	516,613	1,016	68,705
Fund balances at end of year	$ 368,433	$ 423	$ 4,272

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Capital Projects Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Recreation and Park Projects	Street Improvement Fund	Total
Revenues:			
Interest and investment income	$ 3,012	$ 813	$ 18,838
Rents and concessions	-	167	167
Intergovernmental:			
Federal	117	13,897	14,014
State	4,103	-	4,103
Other	-	314	314
Other	4,261	2,979	36,233
Total revenues	11,493	18,170	73,669
Expenditures:			
Debt service:			
Interest and other fiscal charges	2	1	403
Bond issuance costs	15	34	105
Capital outlay	27,748	38,108	323,979
Total expenditures	27,765	38,143	324,487
Deficiency of revenues under expenditures	(16,272)	(19,973)	(250,818)
Other financing sources (uses):			
Transfers in	-	7,914	9,283
Transfers out	-	(71)	(73)
Total other financing sources (uses)	-	7,843	9,210
Net changes in fund balances	(16,272)	(12,130)	(241,608)
Fund balances at beginning of year	99,846	26,668	712,848
Fund balances at end of year	$ 83,574	$ 14,538	$ 471,240

CITY AND COUNTY OF SAN FRANCISCO

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

Central Shops Fund – Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

Finance Corporation – Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

Reproduction Fund – Accounts for printing, design and mail services required by various City departments and agencies.

Telecommunications and Information Fund – Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city the related billings to various departments for specific services performed and operating support from the General Fund.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Net Position
Internal Service Funds
June 30, 2019
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Assets:					
Current assets:					
Deposits and investments with City Treasury	$ 2,284	$ -	$ 2,754	$ 20,427	$ 25,465
Receivables:					
Charges for services	42	-	-	-	42
Interest and other	-	11	-	405	416
Capital leases receivable	-	5,803	-	-	5,803
Restricted assets:					
Deposits and investments outside City Treasury	-	6,565	-	-	6,565
Total current assets	2,326	12,379	2,754	20,832	38,291
Noncurrent assets:					
Capital leases receivable	-	124,340	-	-	124,340
Capital assets:					
Land and other assets not being depreciated	74	-	-	239	313
Facilities and equipment, net of depreciation	257	-	345	11,175	11,777
Total capital assets	331	-	345	11,414	12,090
Total noncurrent assets	331	124,340	345	11,414	136,430
Total assets	2,657	136,719	3,099	32,246	174,721
Deferred outflows of resources:					
Unamortized loss on refunding of debt	-	973	-	-	973
Deferred outflows related to pensions	3,814	-	-	11,800	15,614
Deferred outflows related to OPEB	1,396	-	-	2,480	3,876
Total deferred outflows of resources	5,210	973	-	14,280	20,463
Liabilities:					
Current liabilities:					
Accounts payable	723	185	117	1,319	2,344
Accrued payroll	540	-	92	1,618	2,250
Accrued vacation and sick leave pay	467	-	-	1,469	1,936
Accrued workers' compensation	-	-	-	306	306
Bonds, loans, capital leases, and other payables	-	5,770	-	313	6,083
Accrued interest payable	-	1,037	-	3	1,040
Unearned revenues and other liabilities	-	2,522	-	34	2,556
Total current liabilities	1,730	9,514	209	5,062	16,515
Noncurrent liabilities:					
Accrued vacation and sick leave pay	330	-	-	1,319	1,649
Accrued workers' compensation	-	-	-	1,391	1,391
Bonds, loans, capital leases, and other payables	-	127,822	-	635	128,457
Net pension liability	12,065	-	-	37,321	49,386
Net other postemployment benefits (OPEB) liability	16,019	-	-	28,450	44,469
Total noncurrent liabilities	28,414	127,822	-	69,116	225,352
Total liabilities	30,144	137,336	209	74,178	241,867
Deferred inflows of resources:					
Unamortized gain on refunding of debt	-	356	-	-	356
Deferred inflows related to pensions	2,291	-	-	7,091	9,382
Deferred inflows related to OPEB	1,486	-	-	2,638	4,124
Total deferred inflows of resources	3,777	356	-	9,729	13,862
Net position:					
Net investment in capital assets	331	-	345	10,466	11,142
Unrestricted (deficit)	(26,385)	-	2,545	(47,847)	(71,687)
Total net position	$ (26,054)	$ -	$ 2,890	$ (37,381)	$ (60,545)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2019
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Operating revenues:					
Charges for services	$ 33,262	$ -	$ 8,960	$ 112,295	$ 154,517
Rents and concessions	-	-	-	528	528
Total operating revenues	33,262	-	8,960	112,823	155,045
Operating expenses:					
Personal services	15,114	-	2,262	42,603	59,979
Contractual services	3,176	-	5,399	53,853	62,428
Materials and supplies	12,285	-	282	3,802	16,369
Depreciation and amortization	137	-	92	2,630	2,859
General and administrative	1,177	-	169	1,368	2,714
Services provided by other departments	1,293	-	568	9,044	10,905
Other	10	-	58	3,194	3,262
Total operating expenses	33,192	-	8,830	116,494	158,516
Operating income (loss)	70	-	130	(3,671)	(3,471)
Nonoperating revenues (expenses):					
Interest and investment income	-	3,231	27	341	3,599
Interest expense	(47)	(3,853)	-	(11)	(3,911)
Other, net	1	622	1	41	665
Total nonoperating revenues (expenses)	(46)	-	28	371	353
Income (loss) before transfers	24	-	158	(3,300)	(3,118)
Transfers in	47	-	-	-	47
Transfers out	-	-	(27)	(1,355)	(1,382)
Change in net position	71	-	131	(4,655)	(4,453)
Net position (deficit) at beginning of year	(26,125)	-	2,759	(32,726)	(56,092)
Net position (deficit) at end of year	$ (26,054)	$ -	$ 2,890	$ (37,381)	$ (60,545)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2019
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers	$ 33,309	$ 21,694	$ 8,983	$ 154,823	$ 218,809
Cash paid for employees' services	(15,269)	-	(2,251)	(42,247)	(59,767)
Cash paid to suppliers for goods and services	(19,587)	(6,538)	(6,658)	(117,492)	(150,275)
Net cash provided by (used in) operating activities	(1,547)	15,156	74	(4,916)	8,767
Cash flows from noncapital financing activities:					
Transfers in	47	-	-	-	47
Transfers out	-	-	(27)	(1,355)	(1,382)
Net cash provided by (used in) noncapital financing activities	47	-	(27)	(1,355)	(1,335)
Cash flows from capital and related financing activities:					
Bond sale proceeds	-	55,231	-	-	55,231
Acquisition of capital assets	(74)	-	(80)	(3,252)	(3,406)
Retirement of capital lease obligation	-	(92,410)	-	(309)	(92,719)
Bond issue costs paid	-	(644)	-	-	(644)
Interest paid on long-term debt	-	(3,965)	-	(12)	(3,977)
Other capital financing sources	-	7,566	-	-	7,566
Net cash used in capital and related financing activities	(74)	(34,222)	(80)	(3,573)	(37,949)
Cash flows from investing activities:					
Proceeds from sale of investments with trustees	-	2,260	-	-	2,260
Interest and investment income	-	142	27	341	510
Other investing activities	(47)	-	-	-	(47)
Net cash provided by (used in) investing activities	(47)	2,402	27	341	2,723
Change in cash and cash equivalents	(1,621)	(16,664)	(6)	(9,503)	(27,794)
Cash and cash equivalents at beginning of year	3,905	23,229	2,760	29,930	59,824
Cash and cash equivalents at end of year	$ 2,284	$ 6,565	$ 2,754	$ 20,427	$ 32,030
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 70	$ -	$ 130	$ (3,671)	$ (3,471)
Adjustments for non-cash and other activities:					
Depreciation and amortization	137	-	92	2,630	2,859
Other	1	-	1	41	43
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:					
Receivables, net	45	18,382	25	138	18,590
Accounts payable	(1,646)	-	(185)	(4,411)	(6,242)
Accrued payroll	(21)	-	11	(102)	(112)
Accrued vacation and sick leave pay	34	-	-	100	134
Accrued workers' compensation	-	-	-	(62)	(62)
Unearned revenue and other liabilities	-	(3,226)	-	-	(3,226)
Net pension liability and pension related deferred outflows and inflows of resources	(291)	-	-	(2,189)	(2,480)
Net OPEB liability and OPEB related deferred outflows and inflows of resources	124	-	-	2,610	2,734
Total adjustments	(1,617)	15,156	(56)	(1,245)	12,238
Net cash provided by (used in) operating activities	$ (1,547)	$ 15,156	$ 74	$ (4,916)	$ 8,767
Reconciliation of cash and cash equivalents to the combining statement of net position:					
Deposits and investments with City Treasury:					
Unrestricted	$ 2,284	$ -	$ 2,754	$ 20,427	$ 25,465
Deposits and investments outside City Treasury:					
Restricted	-	6,565	-	-	6,565
Cash and cash equivalents at end of year on statement of cash flows	$ 2,284	$ 6,565	$ 2,754	$ 20,427	$ 32,030
Non-cash capital and related financing activities:					
Acquisition of capital assets on accounts payable and capital lease	$ 74	$ -	$ -	$ -	$ 74

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units

Trust Funds

Employees' Retirement System – Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

Health Service System – Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

Retiree Health Care Trust - Accounts for the contributions from employees, City contributions and the earnings and profits from investment of monies. Disbursements are to be made for benefits, expenses and other charges properly allocable to the trust fund.

Agency Funds

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Assistance Program Fund – Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

Deposits Fund – Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

Payroll Fund – Accounts for Citywide payroll, including monies held for payroll charges including federal, state and other payroll related deductions.

State Revenue Collection Fund – Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

Tax Collection Fund – Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

Transit Fund – Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

Other Agency Funds – Accounts for monies held as agent for a variety of purposes.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
June 30, 2019
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post-employment Benefit Trust Fund	
	Employees Retirement System	Health Service System	Retiree Health Care	Total
Assets				
Deposits and investments with City Treasury	$ 31,264	$ 102,304	$ 2,508	$ 136,076
Deposits and investments outside City Treasury:				
Cash and deposits	62,375	-	-	62,375
Short term investments	479,876	-	1,085	480,961
Debt securities	2,783,115	-	86,210	2,869,325
Equity securities	8,455,582	-	297,353	8,752,935
Real assets	4,334,229	-	-	4,334,229
Private equity and other alternative investments	9,937,307	-	-	9,937,307
Foreign currency contracts, net	96	-	-	96
Receivables:				
Employer and employee contributions	14,532	24,412	3,475	42,419
Brokers, general partners and others	145,829	-	-	145,829
Interest and other	22,932	649	423	24,004
Other assets	-	3,066	-	3,066
Total assets	26,267,137	130,431	391,054	26,788,622
Deferred outflows related to OPEB	1,027	-	-	1,027
Liabilities				
Accounts payable	28,074	7,281	55	35,410
Estimated claims payable	-	27,899	-	27,899
Payable to brokers	148,518	-	361	148,879
Other liabilities	45	3,092	-	3,137
Net other postemployment benefits (OPEB) liability	11,785	-	-	11,785
Total liabilities	188,422	38,272	416	227,110
Deferred inflows related to OPEB	1,093	-	-	1,093
Net Position				
Restricted for pension and other employee benefits	$ 26,078,649	$ 92,159	$ 390,638	$ 26,561,446

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
Year Ended June 30, 2019
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post-employment Benefit Trust Fund	
	Employees Retirement System	Health Service System	Retiree Health Care	Total
Additions:				
Employee contributions	$ 380,980	$ 154,200	$ 51,970	$ 587,150
Employer contributions	645,056	789,836	229,691	1,664,583
Total contributions	1,026,036	944,036	281,661	2,251,733
Investment income (expenses):				
Interest	95,100	2,031	5,837	102,968
Dividends	203,047	-	-	203,047
Net appreciation (depreciation) in fair value of investments	1,720,605	887	23,262	1,744,754
Total investment income	2,018,752	2,918	29,099	2,050,769
Less investment expenses:				
Other Investment expenses	(48,440)	-	(318)	(48,758)
Total additions, net	2,996,348	946,954	310,442	4,253,744
Deductions:				
Benefit payments	1,438,935	932,244	194,563	2,565,742
Refunds of contributions	17,747	-	-	17,747
Administrative expenses	18,983	-	132	19,115
Total deductions	1,475,665	932,244	194,695	2,602,604
Change in net position	1,520,683	14,710	115,747	1,651,140
Net position at beginning of year	24,557,966	77,449	274,891	24,910,306
Net position at end of year	$ 26,078,649	$ 92,159	$ 390,638	$ 26,561,446

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2019
(In Thousands)

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Assistance Program Fund				
Assets				
Deposits and investments with City Treasury	$ 18,025	$ 2,360	$ 2,094	$ 18,291
Receivables:				
Interest and other	70	741	686	125
Total assets	$ 18,095	$ 3,101	$ 2,780	$ 18,416
Liabilities				
Accounts payable	$ -	$ 441	$ 441	$ -
Agency obligations	18,095	2,227	1,906	18,416
Total liabilities	$ 18,095	$ 2,668	$ 2,347	$ 18,416
Deposits Fund				
Assets				
Deposits and investments with City Treasury	$ 16,070	$ 29,881	$ 31,699	$ 14,252
Receivables:				
Interest and other	14	307	291	30
Other assets	45,538	-	-	45,538
Total assets	$ 61,622	$ 30,188	$ 31,990	$ 59,820
Liabilities				
Accounts payable	$ 822	$ 9,957	$ 10,779	$ -
Agency obligations	60,800	31,335	32,315	59,820
Total liabilities	$ 61,622	$ 41,292	$ 43,094	$ 59,820
Payroll Fund				
Assets				
Deposits and investments with City Treasury	$ 4,493	$ 3,820,662	$ 3,825,155	$ -
Receivables:				
Employer and employee contributions	139,037	148,449	139,326	148,160
Total assets	$ 143,530	$ 3,969,111	$ 3,964,481	$ 148,160
Liabilities				
Accounts payable	$ 45,228	$ 1,375,517	$ 1,372,234	$ 48,511
Agency obligations	98,302	3,686,911	3,685,564	99,649
Total liabilities	$ 143,530	$ 5,062,428	$ 5,057,798	$ 148,160

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
State Revenue Collection Fund				
Assets				
Deposits and investments with City Treasury	$ 11,057	$ 39,714	$ 49,001	$ 1,770
Receivables:				
Interest and other	-	7	6	1
Total assets	$ 11,057	$ 39,721	$ 49,007	$ 1,771
Liabilities				
Accounts payable	$ 3,058	$ 53,637	$ 56,599	$ 96
Agency obligations	7,999	35,879	42,203	1,675
Total liabilities	$ 11,057	$ 89,516	$ 98,802	$ 1,771
Tax Collection Fund				
Assets				
Deposits and investments with City Treasury	$ 70,056	$ 5,580,935	$ 5,509,963	$ 141,028
Deposits and investments outside City Treasury	464	34	464	34
Receivables:				
Interest and other	586,275	3,426,670	3,877,991	134,954
Total assets	$ 656,795	$ 9,007,639	$ 9,388,418	$ 276,016
Liabilities				
Accounts payable	$ 31,052	$ 84,307	$ 115,359	$ -
Agency obligations	625,743	3,797,936	4,147,663	276,016
Total liabilities	$ 656,795	$ 3,882,243	$ 4,263,022	$ 276,016
Transit Fund				
Assets				
Deposits and investments with City Treasury	$ 6,141	$ 90,320	$ 90,758	$ 5,703
Receivables:				
Interest and other	7	189	142	54
Total assets	$ 6,148	$ 90,509	$ 90,900	$ 5,757

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2019
(In Thousands)

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Other Agency Funds				
Assets				
Deposits and investments with City Treasury	$ 70,630	$ 241,572	$ 224,282	$ 87,920
Deposits and investments outside City Treasury	212	-	212	-
Receivables:				
Interest and other	418	1,384	1,073	729
Total assets	$ 71,260	$ 242,956	$ 225,567	$ 88,649
Liabilities				
Accounts payable	$ 7,483	$ 101,567	$ 108,098	$ 952
Agency obligations	63,777	220,599	196,679	87,697
Total liabilities	$ 71,260	$ 322,166	$ 304,777	$ 88,649
Total Agency Funds				
Assets				
Deposits and investments with City Treasury	$ 196,472	$ 9,805,444	$ 9,732,952	$ 268,964
Deposits and investments outside City Treasury	676	34	676	34
Receivables:				
Employer and employee contributions	139,037	148,449	139,326	148,160
Interest and other	586,784	3,429,298	3,880,189	135,893
Other assets	45,538	-	-	45,538
Total assets	$ 968,507	$ 13,383,225	$ 13,753,143	$ 598,589
Liabilities				
Accounts payable	$ 92,452	$ 1,662,684	$ 1,705,565	$ 49,571
Agency obligations	876,055	7,827,919	8,154,956	549,018
Total liabilities	$ 968,507	$ 9,490,603	$ 9,860,521	$ 598,589

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STATISTICAL SECTION

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CITY AND COUNTY OF SAN FRANCISCO

Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY AND COUNTY OF SAN FRANCISCO

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2010	2011	2012	2013 [1]	2014	2015 [2]	2016	2017	2018 [4] [5]	2019
Governmental activities										
Net investment in capital assets	$ 1,833,733	$ 1,910,341	$ 2,199,316	$ 2,275,963	$ 2,483,086	$ 2,684,808	$ 2,750,782	$ 2,873,927	$ 3,311,218	$ 3,681,341
Restricted for:										
Reserve for rainy day	39,582	33,439	34,109	26,339	83,194	114,969	120,106	125,689	143,977	324,977
Debt service	34,308	36,805	48,202	98,754	91,900	87,772	83,029	108,179	136,132	104,720
Capital projects	63,323	82,315	91,997	154,502	110,608	28,263	198,962	257,634	196,598	186,015
Community development	66,251	59,763	240,771	109,423	200,640	297,094	433,398	434,691	427,684	624,127
Transportation Authority activities	1,966	1,386	6,705	10,924	12,496	13,486	15,657	16,189	17,499	21,554
Building inspection programs	21,837	32,112	49,364	71,131	97,928	109,512	134,663	150,109	155,448	166,510
Children and families	40,886	45,827	53,632	56,170	59,572	100,892	105,177	115,284	134,548	181,248
Culture, recreation, grants and other purposes	113,917	155,152	150,383	158,973	206,368	209,399	240,524	265,444	319,595	415,236
Unrestricted (deficit)	(1,062,818)	(1,046,861)	(954,469)	(1,142,020)	(1,004,161)	(2,358,981)	(2,073,235)	(2,560,735)	(2,950,722)	(2,804,237)
Total governmental activities net position	$ 1,152,985	$ 1,310,279	$ 1,920,010	$ 1,820,159	$ 2,341,631	$ 1,287,214	$ 2,009,063	$ 1,786,411	$ 1,891,977	$ 2,901,491
Business-type activities										
Net investment in capital assets	$ 4,277,799	$ 4,481,404	$ 4,538,990	$ 4,691,579	$ 4,832,659	$ 5,117,679	$ 5,690,741	$ 5,752,069	$ 6,176,022	$ 6,764,333
Restricted for:										
Debt service	71,128	62,421	53,951	58,970	64,143	100,923	127,073	202,262	294,499	331,118
Capital projects	188,580	161,580	176,570	299,942	363,601	358,745	340,896	394,634	515,072	556,980
Other purposes	18,854	18,741	18,913	13,046	24,721	35,986	70,505	93,696	294,122	165,675
Unrestricted	259,533	268,328	242,842	610,565	732,736	(335,083)	(231,379)	(670,759)	(1,492,713)	(1,117,385)
Total business-type activities net position	$ 4,815,894	$ 4,992,474	$ 5,031,266	$ 5,674,102	$ 6,017,860	$ 5,278,250	$ 5,997,836	$ 5,771,902	$ 5,787,002	$ 6,700,721
Primary government										
Net investment in capital assets [3]	$ 5,735,844	$ 5,993,892	$ 6,459,434	$ 6,692,499	$ 7,032,674	$ 7,520,698	$ 8,151,422	$ 8,321,778	$ 9,157,665	$ 10,048,870
Restricted for:										
Reserve for rainy day	39,582	33,439	34,109	26,339	83,194	114,969	120,106	125,689	143,977	324,977
Debt service	105,436	99,226	102,153	157,724	156,043	188,695	210,102	310,441	430,631	435,838
Capital projects [3]	239,209	223,694	246,027	356,002	418,103	330,213	423,132	569,948	569,115	692,052
Community development	66,251	59,763	240,771	109,423	200,640	297,094	433,398	434,691	427,684	624,127
Transportation Authority activities	1,966	1,386	6,705	10,924	12,496	13,486	15,657	16,189	17,499	21,554
Building inspection programs	21,837	32,112	49,364	71,131	97,928	109,512	134,663	150,109	155,448	166,510
Children and families	40,886	45,827	53,632	56,170	59,572	100,892	105,177	115,284	134,548	181,248
Culture, recreation, grants and other purposes	132,771	173,893	169,296	172,019	231,089	245,385	311,029	359,140	613,717	580,911
Unrestricted (deficit) [3]	(414,903)	(360,479)	(410,215)	(157,970)	67,752	(2,355,480)	(1,897,787)	(2,844,956)	(3,971,305)	(3,473,875)
Total primary government activities net position	$ 5,968,879	$ 6,302,753	$ 6,951,276	$ 7,494,261	$ 8,359,491	$ 6,565,464	$ 8,006,899	$ 7,558,313	$ 7,678,979	$ 9,602,212

Notes:

(1) Effective with the implementation of GASB Statement No. 63, in fiscal year 2013, Net Assets was renamed Net Position.

(2) In fiscal year 2015, the City adopted the provisions of GASB Statement Nos.68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.

(3) Certain net position reclassifications were made to reflect the primary government as a whole perspective since fiscal year 2009. See Note 10(d) in the Notes to Basic Financial Statements for details.

(4) In fiscal year 2018, the City adopted the provisions of GASB Statement No.75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.

(5) See Note 2(t) to the basic financial statements.

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET POSITION

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015 [2]	2016	2017	2018 [3] [4]	2019
Expenses										
Governmental activities:										
Public protection	$ 1,089,309	$ 1,099,791	$ 1,158,618	$ 1,236,922	$ 1,229,591	$ 1,108,200	$ 1,222,549	$ 1,692,224	$ 1,496,749	$ 1,496,341
Public works, transportation and commerce	225,589	239,230	210,415	189,124	200,712	270,454	418,978	387,423	321,577	331,717
Human welfare and neighborhood development	933,039	885,194	942,523	946,562	1,009,190	1,073,652	1,233,403	1,543,047	1,552,060	1,720,425
Community health	599,741	613,883	673,905	751,491	786,761	735,040	747,071	868,628	914,512	960,422
Culture and recreation	310,063	318,083	307,269	338,042	357,620	355,676	311,028	539,516	425,668	594,219
General administration and finance	221,471	224,027	237,818	249,271	298,563	249,823	246,383	337,209	430,711	330,358
General City responsibilities	80,246	84,444	96,147	83,895	85,239	94,577	113,490	145,247	118,956	156,907
Unallocated Interest on long-term debt and cost of issuance [1]	102,635	110,142	110,145	107,790	115,880	115,030	115,357	113,264	138,048	153,220
Total governmental activities expenses	3,562,093	3,574,794	3,736,840	3,903,097	4,083,556	4,002,452	4,408,259	5,626,558	5,398,281	5,743,609
Business-type activities:										
Airport	662,347	690,875	746,610	756,961	827,658	853,338	900,621	1,122,802	1,092,154	1,067,265
Transportation	905,694	905,218	959,088	1,026,726	1,037,368	1,018,251	1,106,420	1,468,586	1,304,254	1,304,358
Port	73,573	68,661	72,307	81,422	88,551	88,436	91,449	118,361	102,667	123,116
Water	325,242	362,802	431,248	445,804	470,200	438,885	470,254	572,509	536,068	536,480
Power	119,109	119,282	130,709	129,790	137,639	149,438	153,472	198,621	202,366	314,471
Hospitals	842,488	885,294	954,566	992,687	1,011,452	996,395	1,050,618	1,370,154	1,294,045	1,236,823
Sewer	201,403	201,629	214,593	223,727	243,466	239,556	244,289	273,077	264,298	304,010
Market	1,119	1,152	1,138	1,231	120	-	-	-	-	-
Total business-type activities expenses	3,130,975	3,234,913	3,510,259	3,658,348	3,816,454	3,784,299	4,017,123	5,124,110	4,795,852	4,886,523
Total primary government expenses	$ 6,693,068	$ 6,809,707	$ 7,247,099	$ 7,561,445	$ 7,900,010	$ 7,786,751	$ 8,425,382	$ 10,750,668	$ 10,194,133	$ 10,630,132
Program Revenues										
Governmental activities:										
Charges for services:										
Public protection	$ 58,980	$ 62,105	$ 61,412	$ 60,190	$ 69,673	$ 70,444	$ 86,164	$ 83,896	$ 87,614	$ 121,848
Public works, transportation and commerce	71,288	101,846	93,809	105,981	135,842	128,661	130,410	148,804	157,416	164,578
Human welfare and neighborhood development	25,813	56,628	68,794	69,997	99,848	96,012	273,986	164,755	82,925	134,839
Community health	65,756	64,419	58,864	60,856	67,680	93,130	90,078	68,601	104,335	101,678
Culture and recreation	81,855	76,528	78,828	93,612	89,969	98,302	98,205	97,614	125,776	136,928
General administration and finance	35,190	37,601	44,358	76,903	66,071	89,403	52,417	45,385	73,235	99,278
General City responsibilities	37,806	29,316	29,142	50,121	39,445	37,031	45,922	37,367	54,136	56,027
Operating Grants and Contributions	997,091	1,040,116	998,701	1,086,154	1,142,094	1,165,340	1,289,902	1,263,262	1,279,900	1,392,516
Capital Grants and Contributions	50,349	57,719	41,174	29,718	39,379	48,233	24,795	19,493	63,181	233,184
Total Governmental activities program revenues	1,424,128	1,526,278	1,475,082	1,633,532	1,750,001	1,826,556	2,091,879	1,929,177	2,028,518	2,440,876
Business-type activities:										
Charges for services:										
Airport	578,041	607,323	668,672	726,358	770,691	815,364	866,991	926,800	1,063,802	980,443
Transportation	311,311	334,140	350,464	494,805	521,628	499,584	495,296	500,030	511,984	505,159
Port	66,579	72,266	77,260	80,202	85,019	95,296	99,733	113,353	109,769	122,033
Water	265,218	288,395	342,101	721,470	379,882	426,047	419,516	460,331	525,639	542,391
Power	128,590	140,035	127,309	133,927	134,438	147,803	164,736	189,979	191,963	345,386
Hospitals	606,276	726,522	740,920	868,244	951,038	894,718	922,320	873,221	967,936	1,014,124
Sewer	209,843	229,216	244,155	252,554	260,097	256,002	261,775	277,341	315,096	331,081
Market	1,681	1,655	1,672	1,715	141	-	-	-	-	-
Operating Grants and Contributions	182,572	204,153	200,318	224,382	190,351	191,101	199,623	270,167	217,506	251,757
Capital Grants and Contributions	180,253	213,364	173,975	251,753	515,445	357,819	374,924	353,046	456,166	467,069
Total business-type activities program revenues	2,530,364	2,817,069	2,926,846	3,755,410	3,808,730	3,683,734	3,804,914	3,964,268	4,359,861	4,559,443
Total primary government program revenues	$ 3,954,492	$ 4,343,347	$ 4,401,928	$ 5,388,942	$ 5,558,731	$ 5,510,290	$ 5,896,793	$ 5,893,445	$ 6,388,379	$ 7,000,319

Notes:

(1) The City adopted GASB Statement No. 65 in fiscal year 2014 and began reporting the cost of issuance as an expense. Prior fiscal years have not been restated.

(2) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos.68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.

(3) In fiscal year 2017-18, the City adopted the provisions of GASB Statement No.75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.

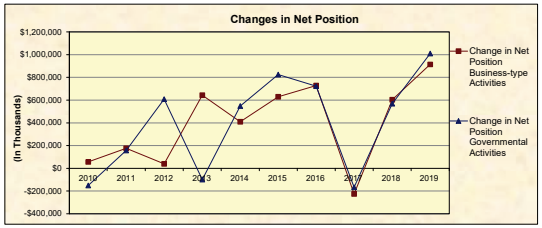
(4) See Note 2(t) to the basic financial statements.

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015 (1)	2016	2017	2018 (2) (3)	2019
Net (expenses)/revenue										
Governmental activities	$ (2,137,965)	$ (2,048,516)	$ (2,261,758)	$ (2,269,565)	$ (2,333,555)	$ (2,175,896)	$ (2,316,380)	$ (3,697,381)	$ (3,369,763)	$ (3,302,733)
Business-type activities	(600,611)	(417,844)	(583,413)	97,062	(7,724)	(100,565)	(212,209)	(1,159,842)	(435,991)	(327,080)
Total primary government net expenses	$ (2,738,576)	$ (2,466,360)	$ (2,845,171)	$ (2,172,503)	$ (2,341,279)	$ (2,276,461)	$ (2,528,589)	$ (4,857,223)	$ (3,805,754)	$ (3,629,813)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 1,345,040	$ 1,340,590	$ 1,355,855	$ 1,415,068	$ 1,521,471	$ 1,640,383	$ 1,808,917	$ 1,951,696	$ 2,363,863	$ 2,581,308
Business taxes	354,019	391,779	437,678	480,131	563,406	611,932	660,926	702,331	899,142	919,552
Sales and use tax	164,769	181,474	198,236	208,025	227,636	240,424	270,051	291,395	293,916	329,296
Hotel room tax	186,849	209,962	239,567	238,782	310,052	394,262	387,661	370,344	382,176	408,348
Utility users tax	94,537	91,683	91,676	91,871	86,810	98,979	98,651	101,203	94,460	93,918
Other local taxes	194,070	251,285	353,746	359,808	391,638	451,994	399,882	542,567	424,187	515,435
Interest and investment income	27,877	17,645	31,453	7,862	21,887	20,737	24,048	35,240	46,020	178,350
Other	54,410	58,524	91,236	52,865	70,024	46,906	59,266	182,933	71,834	88,788
Transfers - internal activities of primary government	(435,824)	(337,132)	(251,088)	(483,028)	(311,627)	(504,791)	(671,173)	(647,942)	(753,283)	(802,748)
Special item	-	-	-	-	-	-	-	-	116,690	-
Extraordinary gain (loss)	-	-	323,130	(201,670)	-	-	-	-	-	-
Total governmental activities	1,985,747	2,205,810	2,871,489	2,169,714	2,881,297	3,000,826	3,038,229	3,529,767	3,939,005	4,312,247
Business-type activities:										
Interest and investment income	44,471	42,299	82,533	1,009	29,843	25,999	28,566	28,547	39,010	182,666
Other	176,064	214,993	288,584	61,737	82,737	200,148	240,636	257,419	246,827	237,045
Transfers - internal activities of primary government	435,824	337,132	251,088	483,028	311,627	504,791	671,173	647,942	753,283	802,748
Special item	-	-	-	-	-	-	-	-	-	18,340
Extraordinary gain (loss)	-	-	-	-	(6,843)	-	-	-	-	-
Total business-type activities	656,359	594,424	622,205	545,774	417,364	730,938	940,375	933,908	1,039,120	1,240,799
Total primary government	$ 2,642,106	$ 2,800,234	$ 3,493,694	$ 2,715,488	$ 3,298,661	$ 3,731,764	$ 3,978,604	$ 4,463,675	$ 4,978,125	$ 5,553,046
Change in Net Position										
Governmental activities	$ (152,218)	$ 157,294	$ 609,731	$ (99,851)	$ 547,742	$ 824,930	$ 721,849	$ (167,614)	$ 569,242	$ 1,009,514
Business-type activities	55,748	176,580	38,792	642,836	409,640	630,373	728,166	(225,934)	603,129	913,719
Total primary government	$ (96,470)	$ 333,874	$ 648,523	$ 542,985	$ 957,382	$ 1,455,303	$ 1,450,015	$ (393,548)	$ 1,172,371	$ 1,923,233



Notes:
(1) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos. 68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.
(2) In fiscal year 2017-18, the City adopted the provisions of GASB Statement No.75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.
(3) See Note 2(t) to the basic financial statements.

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CITY AND COUNTY OF SAN FRANCISCO

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	$ 14,874	$ 20,501	$ 19,598	$ 23,854	$ 24,022	$ 24,786	$ 522	$ 525	$ 1,512	$ 1,259
Restricted	39,582	33,439	34,109	26,339	83,194	114,969	120,106	125,689	143,977	324,977
Committed	4,677	33,431	79,276	137,487	145,126	142,815	187,170	327,607	371,698	397,563
Assigned	132,645	240,635	305,413	353,191	508,903	705,076	879,567	1,088,288	1,291,499	1,361,787
Unassigned	-	-	17,329	-	74,317	157,550	241,797	328,594	413,255	631,437
Total general fund	$ 191,778	$ 328,006	$ 455,725	$ 540,871	$ 835,562	$ 1,145,196	$ 1,429,162	$ 1,870,703	$ 2,221,941	$ 2,717,023
All other governmental funds										
Nonspendable	$ 192	$ 192	$ 1,104	$ 274	$ 441	$ 329	$ 82	$ 82	$ 82	$ 140
Restricted	861,188	831,269	1,189,102	1,191,189	1,115,226	1,110,836	1,443,956	1,701,020	2,232,040	2,309,105
Assigned	27,493	27,622	28,006	30,759	50,733	66,740	66,085	78,413	124,076	114,640
Unassigned	(81,566)	(59,523)	(136,856)	(94,532)	(64,983)	(34,158)	(103,811)	(245,445)	(904)	(331)
Total other governmental funds	$ 807,307	$ 799,560	$ 1,081,356	$ 1,127,690	$ 1,101,417	$ 1,143,747	$ 1,406,312	$ 1,534,070	$ 2,355,294	$ 2,423,554

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Property taxes	$ 1,331,957	$ 1,380,356	$ 1,352,857	$ 1,421,764	$ 1,517,261	$ 1,642,159	$ 1,798,776	$ 1,937,694	$ 2,171,601	$ 2,765,473
Business taxes	354,019	391,779	437,678	480,131	563,406	611,932	660,926	702,331	899,142	919,552
Sales and use tax	164,769	181,474	198,236	208,025	227,636	240,424	267,443	291,710	296,209	329,296
Hotel room tax	186,849	209,962	239,567	238,782	310,052	394,262	387,661	370,344	382,176	408,348
Utility users tax	94,537	91,683	91,676	91,871	86,810	98,979	98,651	101,203	94,460	93,918
Other local taxes	194,070	251,285	353,889	359,808	391,638	451,994	399,882	542,567	424,187	515,435
Licenses, permits and franchises	33,625	35,977	39,770	40,901	42,371	42,959	43,722	44,397	43,180	43,416
Fines, forfeitures and penalties	22,255	11,770	30,090	49,841	28,425	28,154	36,169	30,798	34,220	48,896
Interest and investment income	27,038	17,041	31,371	7,489	21,678	20,583	23,931	35,089	45,890	177,832
Rent and concessions	78,527	78,995	89,183	98,770	90,712	99,102	135,865	100,544	105,284	155,346
Intergovernmental:										
Federal	448,890	484,704	420,974	420,775	426,314	465,196	416,823	411,369	421,024	442,328
State	552,641	581,119	588,532	656,141	721,735	751,574	776,866	823,012	875,402	964,916
Other	7,397	32,017	33,181	41,789	9,408	15,774	85,872	13,814	16,993	13,630
Charges for services	243,128	258,015	264,856	296,059	333,904	359,044	392,665	378,437	415,569	437,540
Other	51,023	97,194	83,634	81,014	134,923	123,605	264,722	188,311	186,034	246,010
Total revenues	3,790,725	4,103,371	4,255,494	4,493,160	4,906,273	5,345,741	5,789,974	5,971,620	6,411,371	7,561,936
Expenditures:										
Public protection	1,021,505	1,031,181	1,079,203	1,145,884	1,172,497	1,210,157	1,269,000	1,323,577	1,378,754	1,460,186
Public works, transportation and commerce	243,454	226,920	250,879	223,218	232,005	293,999	416,152	332,693	441,868	428,378
Human welfare and neighborhood development	918,301	870,091	918,414	945,106	995,192	1,095,419	1,252,588	1,424,425	1,499,216	1,698,081
Community health	581,392	595,222	653,263	734,736	761,439	753,832	776,612	712,495	815,762	918,330
Culture and recreation	303,134	310,392	311,156	328,794	331,914	352,852	364,909	390,038	424,794	453,554
General administration and finance	187,221	191,641	203,157	211,138	233,977	251,370	277,729	303,113	312,441	346,154
General City responsibilities	86,498	85,463	96,150	81,775	86,996	98,658	114,684	121,447	110,920	144,808
Debt service:										
Principal retirement	154,051	148,231	167,465	154,542	190,266	200,497	252,456	283,356	381,141	326,416
Interest and fiscal charges	89,946	101,716	103,706	108,189	119,142	121,371	119,723	125,091	136,925	168,839
Bond issuance costs	2,145	2,161	5,386	2,913	2,185	2,734	7,108	2,695	8,934	876
Capital outlay	182,448	214,817	270,094	410,994	449,726	412,740	223,904	297,089	337,741	323,979
Total expenditures	3,770,095	3,777,835	4,058,873	4,347,289	4,575,339	4,793,629	5,074,865	5,316,019	5,848,496	6,269,601
Excess of revenues over expenditures	20,630	325,536	196,621	145,871	330,934	552,112	715,109	655,601	562,875	1,292,335

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other financing sources (uses):										
Transfers in	302,790	304,682	335,600	447,734	563,283	556,287	580,737	641,123	625,147	853,553
Transfers out	(740,349)	(630,625)	(742,719)	(930,793)	(875,296)	(1,061,086)	(1,251,800)	(1,222,163)	(1,398,562)	(1,654,966)
Issuance of bonds and loans:										
Face value of bonds issued	393,010	232,965	804,090	557,490	257,175	449,530	595,925	276,570	1,293,595	72,420
Face value of loans issued	599	1,813	4,359	5,890	8,735	136,763	-	46,000	-	-
Premium on issuance of bonds	16,647	16,799	89,336	64,469	19,773	69,833	32,845	12,432	76,243	-
Payment to refunded bond escrow agent	-	(142,458)	(487,390)	-	(49,055)	(359,225)	(131,935)	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	122,000	-	-
Other financing sources - capital leases	20,746	19,769	12,304	13,470	12,869	7,750	5,650	37,736	2,027	-
Total other financing sources (uses)	(6,557)	(197,055)	15,580	158,260	(62,516)	(200,148)	(168,578)	(86,302)	598,450	(728,993)
Extraordinary gain (loss)	-	-	197,314	(172,651)	-	-	-	-	-	-
Special item	-	-	-	-	-	-	-	-	11,137	-
Net change in fund balances	$ 14,073	$ 128,481	$ 409,515	$ 131,480	$ 268,418	$ 351,964	$ 546,531	$ 569,299	$ 1,172,462	$ 563,342
Debt service as a percentage of noncapital expenditures	6.90%	7.07%	7.30%	6.80%	7.61%	7.55%	7.98%	8.46%	9.75%	8.51%
Debt service as a percentage of total expenditures	6.47%	6.62%	6.68%	6.04%	6.76%	6.71%	7.33%	7.68%	8.86%	7.90%

CITY AND COUNTY OF SAN FRANCISCO

ASSESSED VALUE OF TAXABLE PROPERTY (1)(3)(4)

Last Ten Fiscal Years
(In Thousands)

Fiscal Year (4)	Assessed Value			Exemptions (2)			Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property	Total	Non-reim-bursable	Reim-bursable	Redevelopment Tax Increments		
2010	$ 164,449,745	$ 4,093,813	$ 168,543,558	$ 6,751,558	$ 660,435	$ 9,289,538	$ 151,842,027	1.00%
2011	162,347,329	4,066,754	166,414,083	6,910,812	663,664	11,540,067	147,299,540	1.00%
2012	168,914,782	3,716,092	172,630,874	7,205,992	660,247	13,842,390	150,922,245	1.00%
2013	171,327,361	3,801,645	175,129,006	7,460,708	660,566	14,032,211	152,975,521	1.00%
2014	179,368,068	4,101,609	183,469,677	7,494,941	657,439	15,962,884	159,354,413	1.00%
2015	186,530,855	4,392,133	190,922,988	8,173,599	656,490	15,730,217	166,362,682	1.00%
2016	197,889,670	4,667,489	202,557,159	8,252,472	654,116	15,798,019	177,852,552	1.00%
2017	216,357,277	5,003,459	221,360,736	9,061,126	647,177	17,057,074	194,595,359	1.00%
2018	240,129,959	5,033,413	245,163,372	11,372,719	638,914	20,790,719	212,361,020	1.00%
2019	268,211,395	5,398,846	273,610,241	15,056,415	627,379	21,989,616	235,936,831	1.00%

Source:
Controller, City and County of San Francisco

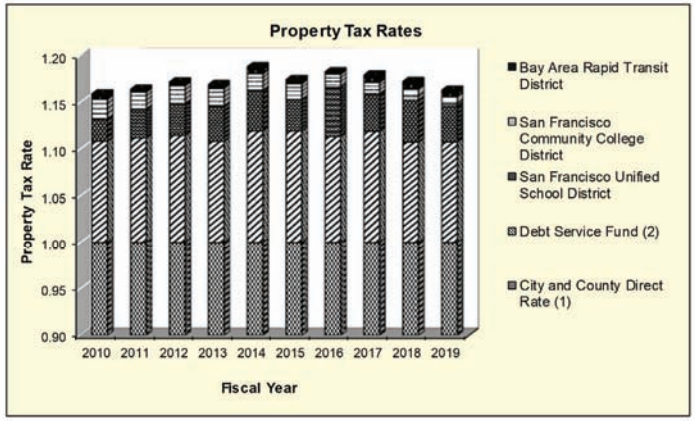
Notes:
(1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.
(2) Exemptions are summarized as follows:
  (a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
  (b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
  (c) Tax increments were allocations made to the former San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and Redevelopment Agency.
(3) Based on certified assessed values.
(4) Based on year end actual assessed values.

CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years
(Rate Per $100 of Assessed Value)

		Overlapping Rates				
Fiscal Year	City and County Direct Rate [1]	Debt Service Fund [2]	San Francisco Unified School District	San Francisco Community College District	Bay Area Rapid Transit District	Total
2010	1.00000000	0.10839903	0.02336031	0.02154066	0.00570000	1.1590
2011	1.00000000	0.11210000	0.03020000	0.01860000	0.00310000	1.1640
2012	1.00000000	0.11470000	0.03340000	0.01960000	0.00410000	1.1718
2013	1.00000000	0.10830000	0.03750000	0.01900000	0.00430000	1.1691
2014	1.00000000	0.11947956	0.04288739	0.01813305	0.00750000	1.1880
2015	1.00000000	0.11945760	0.03326497	0.01707743	0.00450000	1.1743
2016	1.00000000	0.11346583	0.05246647	0.01407283	0.00260000	1.1826
2017	1.00000000	0.11894004	0.03982180	0.01245918	0.00800000	1.1792
2018	1.00000000	0.10740904	0.04517555	0.01135485	0.00840000	1.1723
2019	1.00000000	0.10748997	0.03869354	0.00982024	0.00700000	1.1630



Notes:

(1) Proposition 13 allows each county to levy a maximum tax of $1 per $100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.

(2) On June 6, 1978, California voters approved a constitutional amendment to Article 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 2019			Fiscal Year 2010		
Assessee	Type of Business	Taxable Assessed Value [1]	Rank	Percentage of Total Taxable Assessed Value [2]	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value [2]
Transbay Tower LLC	Office, Commercial	$ 1,336,595	1	0.51%	$ -		-
Sutter Bay Hospitals	Office, Commercial	1,182,541	2	0.45%	-		-
HWA 555 Owners LLC	Office, Commercial	1,018,419	3	0.39%	899,842	1	0.59%
Elm Property Venture LLC	Office, Commercial	984,858	4	0.38%	-		-
PPF Paramount Market Plaza Owner LP	Office, Commercial	834,307	5	0.32%	-		-
SHR St Francis LLC	Hotel, Commercial	738,069	6	0.28%	368,964	6	0.24%
SFDC 50 FREMONT LLC	Office, Commercial	689,319	7	0.27%	-		-
GSW Arena LLC	Entertainment Complex	659,967	8	0.25%	-		-
KR Mission Bay LLC	Office, Commercial	558,150	9	0.21%	-		-
P55 Hotel Owner LLC	Hotel	533,785	10	0.21%	-		-
EOP - One Market LLC	Office, Commercial	-		-	451,012	2	0.30%
Mission Street Development LLC	Office, Commercial	-		-	444,253	3	0.29%
Four Embarcadero Center Venture	Office, Commercial	-		-	373,417	4	0.25%
Post-Montgomery Associates	Office, Commercial	-		-	363,063	5	0.24%
One Embarcadero Center Venture	Office, Commercial	-		-	328,539	7	0.22%
Broadway Partners	Office, Commercial	-		-	312,120	8	0.21%
Three Embarcadero Center Venture	Office, Commercial	-		-	308,931	9	0.20%
Embarcadero Center Associates	Office, Commercial	-		-	307,683	10	0.20%
Total		$ 8,536,010		3.27%	$ 4,157,824		2.74%

Source:
Assessor, City and County of San Francisco

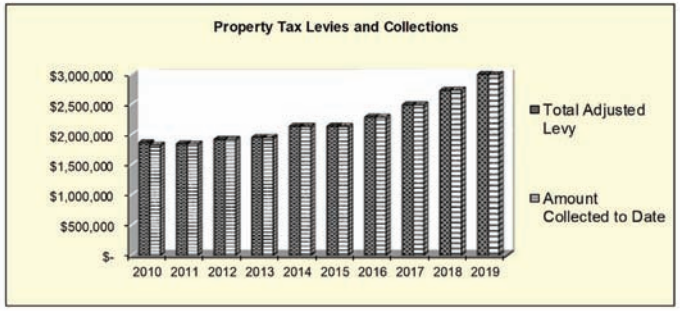
Notes:
(1) Data for fiscal year 2018-2019 updated as of August 1, 2018.
(2) Assessed values for fiscal years 2018-2019 and 2009-2010 are from the tax rolls of calendar years 2018 and 2009, respectively.

CITY AND COUNTY OF SAN FRANCISCO

PROPERTY TAX LEVIES AND COLLECTIONS [1] [2]

Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years [3]	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2010	$1,868,098	$ 1,787,809	95.70%	$ 40,111	$ 1,827,920	97.85%
2011	1,849,132	1,799,523	97.32	45,787	1,845,310	99.79
2012	1,922,368	1,883,666	97.99	37,566	1,921,232	99.94
2013	1,952,525	1,919,060	98.29	31,580	1,950,640	99.90
2014	2,138,245	2,113,284	98.83	23,009	2,136,293	99.91
2015	2,139,050	2,113,968	98.83	21,166	2,135,134	99.82
2016	2,290,280	2,268,876	99.07	19,156	2,288,032	99.90
2017	2,492,789	2,471,486	99.15	21,966	2,493,452	100.03
2018	2,732,615	2,709,048	99.14	29,002	2,738,050	100.20
2019	2,999,794	2,977,664	99.26	17,194	2,994,858	99.84



Source: Controller, City and County of San Francisco

Notes:

(1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District, the former San Francisco Redevelopment Agency, and the Successor Agency to the San Francisco Redevelopment Agency.

(2) Does not include SB-813 supplemental property taxes.

(3) Collections in subsequent years reflect redemption roll collections in the fiscal year.

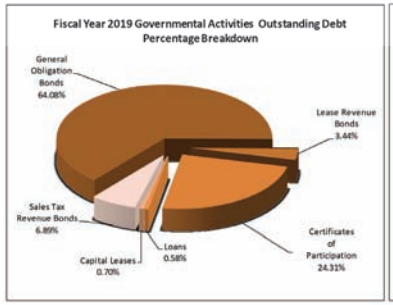
CITY AND COUNTY OF SAN FRANCISCO

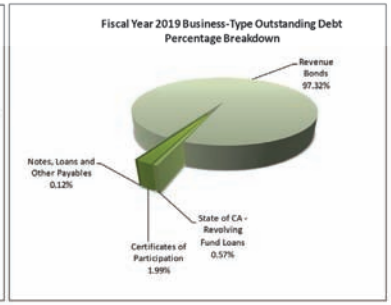
RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years
(In Thousands, except per capita amount)

	Governmental Activities							
Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	Loans	Capital Leases	Settlement Obligation	Sales Tax Revenue Bonds	Subtotal
2010	$ 1,442,448	$ 286,653	$ 591,613	$ 10,607	$ 152,273	$ 7,105	$ -	$ 2,490,699
2011	1,411,769	283,155	587,121	10,072	141,377	-	-	2,433,494
2012	1,617,397	275,876	552,998	13,878	22,878	-	-	2,483,027
2013	2,052,155	264,828	574,683	19,184	9,741	-	-	2,920,591
2014	2,105,885	243,503	544,817	27,441	3,085	-	-	2,924,731
2015	2,096,765	216,527	507,504	163,837	-	-	-	2,984,633
2016	2,227,515	197,217	623,956	143,059	-	-	-	3,191,747
2017	2,281,894	182,783	582,759	162,876	32,586	-	-	3,242,898
2018	2,693,252	171,667	987,014	47,462	30,654	-	268,917	4,198,966
2019	2,488,987	133,592	944,447	22,365	27,102	-	267,701	3,884,194

	Business-Type Activities								
Fiscal Year	Revenue Bonds	State of CA - Revolving Fund Loans	Certificates of Participation	Notes, Loans and Other Payables	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income [1] [2]	Per Capita [1] [3]
2010	$ 7,152,582	$ 61,140	$ 194,112	$ 73,322	$ 1,416	$ 7,482,572	$ 9,973,271	17.31%	$ 12,386
2011	8,090,624	46,492	193,579	32,434	652	8,363,781	10,797,275	17.11	13,284
2012	9,280,580	36,898	348,641	7,163	3,155	9,676,437	12,159,464	17.23	14,723
2013	9,342,222	-	339,007	7,370	3,606	9,692,205	12,612,796	17.31	14,995
2014	9,668,418	-	365,867	7,596	2,512	10,044,393	12,969,124	16.79	15,214
2015	10,040,660	-	355,113	7,840	1,174	10,404,787	13,389,420	14.95	15,533
2016	10,078,794	-	343,270	8,180	266	10,430,510	13,622,257	14.17	15,549
2017	11,185,043	-	330,924	9,241	-	11,525,208	14,768,106	13.93	16,798
2018	13,194,466	22,607	318,019	14,196	-	13,549,288	17,748,254	15.78	20,093
2019	14,935,423	88,032	304,547	18,763	-	15,346,765	19,230,959	16.55	21,670





Notes:

[1] See Demographic and Economic Statistics, for personal income and population data.

[2] 2017 and 2018 were updated from last year's CAFR with newly available data.

[3] 2017 and 2018 were updated from last year's CAFR with newly available data.

CITY AND COUNTY OF SAN FRANCISCO

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years
(In Thousands, except per capita amount)

Fiscal Year	General Obligation Bonds [1]	Less: Amounts Restricted for Debt Service	Total	Per Capita [2] [3]	Percentage of Taxable Assessed Value [4]
2010	$ 1,442,448	$ 36,901	$ 1,405,547	$ 1,746	0.87%
2011	1,411,769	39,330	1,372,439	1,688	0.86%
2012	1,617,397	51,033	1,566,364	1,897	0.95%
2013	2,052,155	102,188	1,949,967	2,318	1.16%
2014	2,105,885	95,451	2,010,434	2,358	1.14%
2015	2,096,765	91,292	2,005,473	2,327	1.10%
2016	2,227,515	86,754	2,140,761	2,444	1.10%
2017	2,281,894	111,892	2,170,002	2,468	1.02%
2018	2,693,252	127,766	2,565,486	2,904	1.10%
2019	2,488,987	104,149	2,384,838	2,687	0.92%

Notes:
(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements. In compliance with GASB Statement No. 65, the amount for general obligation bonds was restricted to exclude bond refunding gains or losses.
(2) Population data can be found in Demographic and Economic Statistics.
(3) Fiscal years 2017 and 2018 are updated from last year's CAFR with newly available data.
(4) Taxable property data can be found in Assessed Value of Taxable Property.

CITY AND COUNTY OF SAN FRANCISCO

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt limit	$ 4,853,760	$ 4,785,098	$ 4,962,746	$ 5,030,049	$ 5,279,242
Total net debt applicable to limit [1]	1,442,448	1,411,769	1,617,397	2,052,155	2,105,885
Legal debt margin	$ 3,411,312	$ 3,373,329	$ 3,345,349	$ 2,977,894	$ 3,173,357
Total net debt applicable to the limit as a percentage of debt limit	29.72%	29.50%	32.59%	40.80%	39.89%

	Fiscal Year				
	2015	2016	2017	2018	2019
Debt limit	$ 5,482,482	$ 5,829,141	$ 6,368,988	$ 7,013,720	$ 7,756,615
Total net debt applicable to limit [1]	2,096,765	2,227,514	2,281,894	2,693,252	2,488,987
Legal debt margin	$ 3,385,717	$ 3,601,627	$ 4,087,094	$ 4,320,468	$ 5,267,628
Total net debt applicable to the limit as a percentage of debt limit	38.24%	38.21%	35.83%	38.40%	32.09%

Legal Debt Margin Calculation for Fiscal Year 2019

Total assessed value	$ 273,610,241
Less: non-reimbursable exemptions [2]	15,056,415
Assessed value [2]	$ 258,553,826
Debt limit (three percent of valuation subject to taxation)[3]	$ 7,756,615
Debt applicable to limit - general obligation bonds	2,488,987
Legal debt margin	$ 5,267,628

Notes:
[1] Per outstanding general obligation bonds adjusted with bond premium and discount.
[2] Source: Assessor, City and County of San Francisco
[3] City's Administrative Code Section 2.60 Limitations on Bonded Indebtedness.
"There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County."

CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING DEBT

June 30, 2019

Debts	Total Debt Outstanding (In thousands)	Estimated Percentage Applicable to City and County [1]	Estimated Share of Overlapping Debt (In thousands)
Direct Debt			
General Obligation Bonds			$ 2,488,987
Lease Revenue Bonds	$ 133,592	100.00%	133,592
Sales Tax Revenue Bonds	267,701	100.00%	267,701
Certificates of Participation	944,447	100.00%	944,447
Loans	22,365	100.00%	22,365
Lease Purchase Financing	27,102	100.00%	27,102
Total Direct Debt			3,884,194
Overlapping Debt			
General Obligation Bonds			
San Francisco Unified School District	968,078	100.00%	968,078
San Francisco Community College District	247,175	100.00%	247,175
Bay Area Rapid Transit District	809,660	34.00%	275,284
Total Overlapping Debt			1,490,537
Total Direct and Overlapping Debt			$ 5,374,731

Assessed valuation (net of non- reimbursable exemption)	$ 258,553,826
Population - 2019 [2]	887,463
Percentage of direct and overlapping general obligation debt per assessed valuation	1.54%
Percentage of total direct and overlapping debt per assessed valuation	2.08%
Estimated total direct and overlapping total debt per capita	$6.056

Note: Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the districts boundaries and dividing it by the City's total taxable assessed value.

(2) Sources: US Census Bureau

CITY AND COUNTY OF SAN FRANCISCO

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

(In Thousands)

San Francisco International Airport [1]

Fiscal Year	Operating Revenues [2]	Less: Operating Expenses [3]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2010	$ 597,429	$ 305,995	$ 291,434	$ 97,715	$ 190,490	$ 288,205	1.01
2011	622,709	331,399	291,310	134,800	177,581	312,381	0.93
2012	701,025	369,376	331,649	135,760	189,696	325,456	1.02
2013	728,044	380,543	347,501	152,355	185,000	337,355	1.03
2014	776,116	402,176	373,940	163,095	202,219	365,314	1.02
2015	824,482	392,361	432,121	181,645	211,804	393,449	1.10
2016	880,948	412,114	468,834	208,860	185,297	394,157	1.19
2017	934,692	543,019	391,673	194,225	210,330	404,555	0.97
2018	1,075,118	505,017	570,101	159,590	245,751	405,341	1.41
2019	1,072,368	495,222	577,146	191,240	245,219	436,459	1.32

(1) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the Airport Commission's 1991 Master Bond Resolution which authorized the sale and issuance of these bonds.

(2) Operating revenues consist of Airport operating revenues and interest and investment income.

(3) In accordance with GASB Statement No. 44, Airport operating expenses related to the pledged revenues exclude interest, depreciation and amortization.

San Francisco Water Department [4]

Fiscal Year	Gross Revenues [5]	Less: Operating Expenses [6]	Adjustments[8]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2010	$ 275,041	$ 277,970	$ 141,615	$ 138,686	$ 26,605	$ 42,990	$ 69,595	1.99
2011	305,678	261,927	126,126	169,877	27,795	58,759 [7]	86,554	1.96
2012	375,551	304,562	115,667	186,656	44,050	78,239 [7]	122,289	1.53
2013	721,189	303,739	157,518	574,968	45,965	93,569 [7]	139,534	4.12
2014	390,789	333,555	426,527	483,761	25,850	115,476 [7]	141,326	3.42
2015	431,836	296,950	310,139	445,025	25,850	166,462 [7]	192,312	2.31
2016	423,111	314,786	283,568	391,893	29,695	189,500 [7]	219,195	1.79
2017	464,662	421,827	351,605	394,440	41,310	166,502 [7]	207,812	1.90
2018	532,087	370,147	337,643	499,583	48,875	185,084 [7]	233,959	2.14
2019	558,041	365,110	339,132	532,063	76,665	184,973 [7]	261,638	2.03

(4) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.

(5) Gross Revenue consists of charges for services, rental income and other income, investing activities and capacity fees.

(6) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest. FY2018 was updated with new available data.

(7) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2018 also includes "springing" amendments.

(8) Adjustments column included adjustment to investing activities, depreciation and non-cash expenses, changes in working capital and other available funds presented in the published Annual Disclosure Reports. FY2018 was updated with new available data.

Municipal Transportation Agency

Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges [9][10]	Less: Operating Expenses[11][12]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2010	$ 39,538	$ 19,018	$ 20,520	$ 2,680	$ 1,149	$ 3,829	5.36
2011	41,204	21,077	20,127	1,615	1,068	2,683	7.50
2012	47,810	19,419	28,391	1,685	995	2,680	10.59
2013	607,125	471,490	135,635	3,075	1,856	4,931	27.51
2014	642,614	509,762	132,852	5,895	3,686	9,581	13.87
2015	626,312	527,125	99,187	7,695	6,945	14,640	6.78
2016	619,650	563,750	55,900	7,340	9,155	16,495	3.39
2017	614,619	572,162	42,457	7,640	8,865	16,505	2.57
2018	652,919	587,355	65,564	12,350	15,602	27,952	2.35
2019	686,346	576,970	109,376	10,055	14,636	24,691	4.43

(9) Prior to FY2013 revenue bonds were issued by the Parking Authority. The Parking Authority leased North Beach, Moscone, and San Francisco Hospital garages to the City. In return, the City pledged to pay off the debt service with a base (lease) rental payment. The gross revenue reflects base rental payments plus revenue from all meters in San Francisco except the meters on Port property. All the related revenue bonds were defeased/paid off in FY2013.

(10) In July 2012, the SFMTA issued its first revenue bonds, Series 2012A and B. Series 2012A refunded the bonds described above plus bonds issued by the City's nonprofit garage corporations. The gross pledged revenues consist of transit fares, parking fines and fees, rental income, investment income plus operating grants from Transportation Development Act (codified as Sections 99200 et seq. of the California Public Utilities Code) (the "TDA"), AB 1107 (codified at Section 29140 et seq. of the Public Utilities Code) (the "AB 1107"), and State Transit Assistance.

(11) Prior to FY2013, the operating expense includes only the costs related to parking meter program excluding debt service payments.

(12) Effective FY2013, related to the new bonds, the operating expense excludes expenses funded by the City's General Fund support paratransit restricted grants. In accordance with GASB Statement No. 44, operating expenses related to the pledged revenues exclude interest, depreciation and non-cash expense.

CITY AND COUNTY OF SAN FRANCISCO

PLEDGED-REVENUE COVERAGE (Continued)

Last Ten Fiscal Years
(In Thousands)

San Francisco Wastewater Enterprise [13]

Fiscal Year	Gross Revenues [14]	Less: Operating Expenses [15]	Adjustments [16]	Net Available Revenue [17]	Debt Service Principal	Debt Service Interest [17]	Debt Service Total [17]	Coverage [17]
2010	$ 211,899	$ 185,512	$ 86,880	$ 113,267	$ 37,130	$ 13,183	$ 50,313	2.25
2011	231,143	179,084	56,239	108,298	26,320	18,563 [18]	44,883	2.41
2012	247,936	195,857	107,125	159,204	22,010	20,180 [18]	42,190	3.77
2013	253,078	208,260	109,323	154,141	23,095	15,655 [18]	38,750	3.98
2014	262,497	216,340	172,831	218,988	32,805	32,047 [18]	64,852	3.38
2015	257,209	216,485	190,236	230,960	30,895	30,006 [18]	60,901	3.79
2016	262,960	221,553	198,524	239,931	31,115	28,907 [18]	60,022	4.00
2017	279,668	244,220	216,095	251,543	20,870	39,537 [18]	60,407	4.16
2018	317,413	238,906	231,515	310,022	20,015	26,988 [18]	47,003	6.60
2019	351,782	259,813	161,677	253,646	22,435	37,912 [18]	60,347	4.20

(13) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(14) Gross revenue consists of charges for services, rental income and other income.
(15) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest. FY2018 was updated with new available data.
(16) Adjustments includes Depreciation and Non-Cash Expense, Changes in Working Capital, Investment Income, SRF Loan Payments, and other available Funds that are printed in published Annual Disclosure Reports. FY2018 was updated with new available data.
(17) Restated to match the published Annual Disclosure Reports for FY2009.
(18) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2019 also includes a "springing" amendment. Capitalized interest was excluded in FY2018 and FY2019.

Port of San Francisco [19]

Fiscal Year	Total Operating Revenues [20]	Less: Operating Expenses [21]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2010	$ 69,741	$ 58,756	$ 10,985	$ 4,320	$ 75	$ 4,395	2.50
2011	73,675	51,871	21,804	485	2,358	2,843	7.67
2012	79,273	55,471	23,802	670	2,175	2,845	8.37
2013	81,536	63,615	17,921	695	2,151	2,846	6.30
2014	87,213	63,410	23,803	725	2,122	2,847	8.36
2015	96,265	60,896	35,369	1,400	2,771	4,171	8.48
2016	100,699	64,896	35,803	1,225	2,951	4,176	8.57
2017	114,854	89,882	24,972	1,265	2,904	4,169	5.99
2018	112,000	79,027	32,973	1,325	2,849	4,174	7.90
2019	128,571	88,829	39,742	1,390	2,787	4,177	9.51

(19) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(20) Total revenues consist of operating revenues and interest and investment income.
(21) In accordance with GASB Statement No. 44, operating expenses related to the pledged-revenue stream exclude interest, depreciation and amortization. Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses, as defined by the bond indenture, also excludes amortized dredging costs.

Hetch Hetchy Water and Power [22]

Fiscal Year [26]	Gross Revenues [23]	Less: Operating Expenses [24]	Adjustments [25]	Net Available Revenue	Debt Service [26] Principal	Debt Service [26] Interest	Debt Service [26] Total	Coverage
2010	$ 105,711	$ 86,334	$ 14,521	$ 33,898	$ 422	$ -	$ 422	80.33
2011	113,253	86,266	14,786	41,773	422	-	422	98.99
2012	100,622	93,607	13,536	20,551	422	-	422	48.70
2013	101,191	93,259	6,765	14,697	1,009	898	1,907	7.71
2014	105,767	101,041	11,726	16,452	1,308	667	1,975	8.33
2015	117,704	105,222	38,714	51,196	1,321	625	1,946	26.31
2016	122,954	110,012	20,102	33,044	-	-	-	-
2017	122,187	116,935	58,176	63,428	-	-	-	-
2018	122,251	119,395	64,356	67,212	710	1,860	2,570	26.15
2019	152,873	122,687	40,827	71,013	730	1,839	2,569	27.64

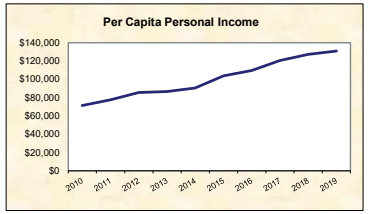
(22) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(23) Gross revenues consists of charges for power services, rental income and other income.
(24) Operating expenses only include power operating expense.
(25) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.
(26) For FY2016 and FY2017 Revenue Bond Debt Service excludes state revolving fund loans, commercial paper and certificates of participation.

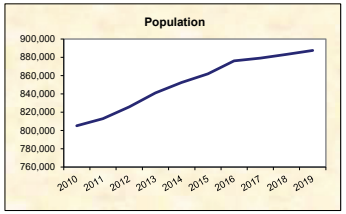
CITY AND COUNTY OF SAN FRANCISCO

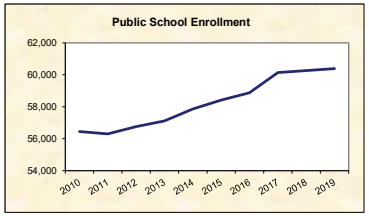
DEMOGRAPHIC AND ECONOMIC STATISTICS

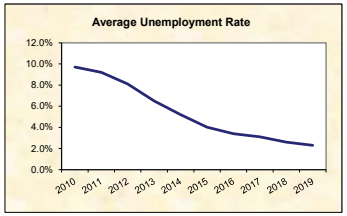
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (In Thousands) (2)	Per Capita Personal Income (3)	Median Age (4)	Public School Enrollment (5)	Average Unemployment Rate (6)
2010	805,235	$57,619,120	$71,556	38.5	56,454	9.7%
2011	812,826	63,102,121	77,633	37.3	56,299	9.2%
2012	825,863	70,573,974	85,455	38.5	56,758	8.1%
2013	841,138	72,858,445	86,619	37.9	57,105	6.5%
2014	852,469	77,233,279	90,600	37.4	57,860	5.2%
2015	862,004	89,533,450	103,867	37.8	58,414	4.0%
2016	876,103	96,161,308	109,760	37.9	58,865	3.4%
2017	879,166 [7]	106,006,635 [8]	120,576 [9]	38.1	60,133	3.1%
2018	883,305 [7]	112,447,995 [8]	127,304 [9]	38.0 [10]	60,263	2.6%
2019	887,463 [7]	116,222,759 [8]	130,961 [9]	38.0 [10]	60,390	2.3%









Sources:
(1) US Census Bureau. Fiscal years 2017 and 2018 were updated from last year's CAFR with newly available data.
(2) US Bureau of Economic Analysis. Fiscal years 2017 and 2018 were updated from last year's CAFR with newly available data.
(3) US Bureau of Economic Analysis. Fiscal years 2017 and 2018 were updated from last year's CAFR with newly available data.
(4) US Census Bureau, American Community Survey
(5) California Department of Education
(6) California Employment Development Department

Note:
(7) 2017 and 2018 were updated from last year's CAFR with newly available data. 2019 population was estimated by multiplying the estimated 2018 population by the 2018 - 2019 population growth rate.
(8) Personal income was estimated by assuming that its percentage of state personal income in 2018 and 2019 remained at the 2018 level of 4.47 percent. Fiscal years 2017 and 2018 were updated from last year's CAFR with newly available data.
(9) Per capita personal income for 2018 and 2019 was estimated by dividing the estimated personal income for 2018 and 2019 by the reported and estimated population in 2018 and 2019, respectively. Fiscal years 2017 and 2018 are updated from last year's CAFR with newly available data. 2019 was estimated by multiplying the latest quarterly State income by 1000 and dividing by the estimated 2019 population.
(10) Median age for 2018 and 2019 was estimated by averaging the median age in 2016 and 2017.

CITY AND COUNTY OF SAN FRANCISCO

Principal Employers
Current Year and Nine Years Ago

	Year 2018 [1]			Year 2009		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
University of California, San Francisco	34,690	1	6.09%	24,759	2	5.79%
City and County of San Francisco	32,749	2	5.75%	26,554	1	6.20%
San Francisco Unified School District	10,506	3	1.84%	5,313	7	1.24%
Salesforce	8,000	4	1.40%	-	-	-
Wells Fargo & Co	7,747	5	1.36%	9,214	3	2.15%
Kaiser Permanente	6,659	6	1.17%	5,629	5	1.32%
Sutter Health	5,359	7	0.94%	-	-	-
Uber Technologies Inc	5,000	8	0.88%	-	-	-
Gap Inc	4,000	9	0.70%	3,804	10	0.89%
PG&E Corporation	3,800	10	0.67%	4,394	9	1.03%
California Pacific Medical Center	-	-	-	6,800	4	1.59%
State of California	-	-	-	5,555	6	1.30%
United States Postal Service	-	-	-	4,697	8	1.10%
Total	118,510		20.80%	96,719		22.61%

Source: Total City and County of San Francisco employee count is obtained from the State of California Employee Development Department. All other data is obtained from the San Francisco Business Times Book of Lists.

Note:
(1) The latest data as of calendar year-end 2018 is presented.

CITY AND COUNTY OF SAN FRANCISCO

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION [1]
Last Ten Fiscal Years

	Fiscal Year									
Function	**2010**	**2011**	**2012**	**2013**	**2014**	**2015 [2]**	**2016 [2]**	**2017**	**2018**	**2019**
Public Protection										
Fire Department	1,532	1,512	1,474	1,463	1,464	1,494	1,575	1,620	1,646	1,667
Police	2,757	2,681	2,665	2,655	2,727	2,784	2,871	3,013	2,971	3,053
Sheriff	1,048	953	1,010	1,013	984	1,015	1,006	1,056	1,001	1,020
Other	981	969	956	1,021	1,032	1,049	1,077	1,081	1,138	1,146
Total Public Protection	6,318	6,115	6,105	6,152	6,207	6,342	6,529	6,770	6,756	6,886
Public Works, Transportation and Commerce										
Municipal Transportation Agency	4,358	4,160	4,141	4,388	4,484	4,685	4,931	5,160	5,178	5,338
Airport Commission	1,233	1,294	1,377	1,443	1,460	1,473	1,493	1,541	1,586	1,587
Department of Public Works	822	791	783	808	825	852	925	981	1,027	1,057
Public Utilities Commission	1,549	1,584	1,616	1,620	1,621	1,618	1,634	1,637	1,648	1,676
Other	490	508	536	583	612	626	627	637	631	621
Total Public Works, Transportation and Commerce	8,452	8,337	8,453	8,842	9,002	9,254	9,610	9,956	10,070	10,279
Community Health										
Public Health	5,838	5,696	5,671	5,800	6,126	6,284	6,602	6,806	6,857	6,866
Total Community Health	5,838	5,696	5,671	5,800	6,126	6,284	6,602	6,806	6,857	6,866
Human Welfare and Neighborhood Development										
Human Services	1,662	1,685	1,691	1,750	1,855	1,964	2,046	2,068	2,099	2,094
Other	296	284	269	244	244	246	242	375	386	394
Total Human Welfare and Neighborhood Development	1,958	1,969	1,960	1,994	2,099	2,210	2,288	2,443	2,485	2,488
Culture and Recreation										
Recreation and Park Commission	898	851	834	841	870	893	916	935	934	927
Public Library	649	645	628	640	652	661	662	683	698	696
War Memorial	63	63	63	63	57	58	65	68	69	71
Other	199	201	199	210	213	214	215	211	214	213
Total Culture and Recreation	1,809	1,760	1,724	1,754	1,792	1,826	1,858	1,897	1,915	1,907
General Administration and Finance										
Administrative Services	647	616	637	723	716	750	803	830	845	871
City Attorney	306	300	299	303	308	308	306	307	307	309
Telecommunications and Information Services	252	210	196	199	216	209	221	228	232	225
Controller	180	194	201	198	204	219	253	263	257	251
Human Resources	138	119	123	124	135	143	152	155	148	166
Treasurer/Tax Collector	220	211	208	202	211	226	219	219	207	207
Mayor	49	42	37	49	49	50	55	56	58	63
Other	554	540	567	561	602	615	658	695	697	699
Total General Administration and Finance	2,346	2,232	2,268	2,359	2,441	2,520	2,667	2,753	2,751	2,791
Subtotal annually funded positions	26,721	26,109	26,181	26,901	27,667	28,436	29,554	30,625	30,834	31,217
Capital project funded positions	1,928	1,885	1,892	1,486	1,569	1,721	1,789	2,124	2,211	2,300
Total annually funded positions	28,649	27,994	28,073	28,387	29,236	30,157	31,343	32,749	33,045	33,517

Source: Controller, City and County of San Francisco

Note:
(1) Data represent budgeted and funded full-time equivalent positions.
(2) 2015 and 2016 has been updated with newly available data

CITY AND COUNTY OF SAN FRANCISCO

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Protection										
Fire and Emergency Communications										
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile	7:13	7:19	7:18	7:36	8:30	8:12	7:41	7:40	7:54	7:57
Police										
Average time from dispatch to arrival on scene for highest priority calls [1]	3:33	4:07	4:15	4:35	4:20	4:55	4:57	6.9	7.2	7.3
Number of homicides per 100,000 population	5.3	6.3	7.4	6.2	4.7	6.6	6.2	7.9	4.9	5.1
Public Works, Transportation, and Commerce										
General Services Agency - Public Works										
Percentage of San Franciscans who rate cleanliness of neighborhood streets as good or very good	N/A	52%	N/A	N/A	N/A	54%	N/A	51%	N/A	N/A
Number of blocks of City streets repaved	312	427	346	521	323	474	721	704	608	664
Municipal Transportation Agency										
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good)	N/A	3.55	3.02	3.38	N/A	N/A	N/A	N/A	N/A	N/A
Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points	73.5%	72.9%	61.9%	59.3%	58.8%	56.1%	59.9%	57.3%	56.5%	55.2%
Percentage of scheduled service hours delivered	96.6%	96.2%	97.5%	97.6%	90.7%	97.0%	99.0%	98.9%	97.5%	94.3%
Airport										
Percent change in air passenger volume	4.8%	5.3%	8.0%	4.0%	3.2%	4.5%	6.7%	4.9%	7.0%	-0.4%
Human Welfare and Neighborhood Development										
Environment										
Percentage of total solid waste materials diverted in a calendar year	77%	78%	80%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Culture and Recreation										
Recreation and Park										
Citywide percentage of park maintenance standards met for all parks inspected	91%	90%	91%	91%	91%	85%	87%	89%	89%	N/A
Public Library										
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good [2]	N/A	79%	N/A	85%	N/A	92%	8.30	7.30	8.30	8.70
Circulation of materials at San Francisco libraries	10,849,582	10,679,061	10,971,974	10,587,213	10,844,953	10,684,760	10,778,428	10,814,015	11,092,406	11,730,624
Asian and Fine Arts Museums										
Number of visitors to City-owned art museums	2,599,322	2,426,861	1,779,573	1,865,259	2,042,135	1,712,076	1,830,284	1,730,378	1,678,682	1,601,223

Source: Controller, City and County of San Francisco

Notes:

(1) FY 2010 through FY 2016 reflects average time. FY2017 through FY2019 reflects , in a decimal format, the time from the receipt of a 911 call to the officer's arrival time.

(2) FY 2010 through FY 2015 is based on percentage of San Franciscans. FY2016 through FY2019 is based on a scale of 1 to 10.

N/A = Information is not available. Note that in most cases this is due to the fact that the City Survey, which was administered annually until 2005, then biennially afterwards, is the data source.

CITY AND COUNTY OF SAN FRANCISCO

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police protection [1]										
Number of stations	10	10	10	10	10	10	10	10	10	10
Number of police officers	2,261	2,288	2,243	2,164	2,130	2,203	2,332	2,315	2,292	2,291
Fire protection [2]										
Number of stations	42	46	46	46	46	47	47	47	47	47
Number of firefighters	768	778	718	817	896	907	995	1,029	1,044	1,040
Public works										
Miles of street [3]	1,317	1,317	1,315	1,315	1,299	1,287	1,287	1,287	1,287	1,304
Number of streetlights [4]	43,973	44,530	44,594	44,655	44,656	44,907	44,498	44,686	44,891	44,832
Water [4]										
Number of services	172,680	173,033	173,454	173,744	173,970	174,111	174,083	174,394	175,054	175,805
Average daily consumption (million gallons)	219.9	213.6	212.0	215.1	217	190	171	175	190.4	184.5
Miles of water mains	1,465	1,473	1,488	1,488	1,488	1,499	1,489	1,488	1,489	1,719
Sewers [4]										
Miles of collecting sewers	993	993	959	986	993	993	993	993	993	993
Miles of transport/storage sewers	17	17	17	24	17	17	17	17	17	17
Recreation and cultures										
Number of parks [5]	220	220	220	221	221	220	220	220	220	220
Number of libraries [6]	28	28	28	28	28	28	28	28	28	28
Number of library volumes (million) [6]	3.3	3.5	3.6	3.5	3.6	3.6	3.8	3.9	3.7	3.5
Public school education [7]										
Attendance centers	115	115	115	115	116	116	117	117	117	117
Number of classrooms	2,779	2,797	2,797	2,877	3,135	3,160	3,219	3,219	3,219	3,216
Number of teachers, full-time equivalent	3,312	3,132	3,245	3,129	3,129	3,281	3,339	3,272	3,196	3,886
Number of students	55,779	55,571	56,310	56,970	57,620	58,414	58,865	60,133	60,263	60,390

Sources:

(1) Police Commission, City and County of San Francisco
(2) Fire Commission, City and County of San Francisco - Includes fire fighters/paramedics, and incident support specialists
(3) Department of Public Works, City and County of San Francisco
(4) Public Utilities Commission, City and County of San Francisco
(5) Parks and Recreation Commission, City and County of San Francisco
(6) Library Commission, City and County of San Francisco
(7) San Francisco Unified School District

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

The following is a summary of certain provisions of the Trust Agreement, the First Supplement to Trust Agreement, the Second Supplement to Trust Agreement, the Third Supplement to Trust Agreement, the Fourth Supplement to Trust Agreement, the Project Lease, the First Supplement to Project Lease, the Second Supplement to Project Lease, the Third Supplement to Project Lease, the Fourth Supplement to Project Lease, the Property Lease, the First Supplement to Property Lease, the Second Supplement to Property Lease, the Third Supplement to Property Lease and the Fourth Supplement to Property Lease. These summaries do not purport to be complete or definitive and reference should be made to such documents for a full and complete statement of their provisions. All capitalized terms not defined in the Official Statement have the meanings set forth in the Trust Agreement.

DEFINITIONS OF CERTAIN TERMS

"2009A Certificates" means City and County of San Francisco Certificates of Participation, Series 2009A (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2009B Certificates" means City and County of San Francisco Certificates of Participation, Series 2009B (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2010A Certificates" means the City and County of San Francisco Refunding Certificates of Participation, Series 2010A.

"2012A Certificates" means City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2019-R1 Certificates" means City and County of San Francisco Refunding Certificates of Participation, Series 2019-R1 (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2020-R1 Certificates" means City and County of San Francisco Refunding Certificates of Participation, Series 2020-R1 (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2012A Reserve Account" means the account within the Reserve Fund established pursuant to the Trust Agreement in connection with the 2012A Certificates.

"2020-R1 Reserve Account: means the account within the Reserve Fund established pursuant to the Trust Agreement in connection with the 2020-R1 Certificates.

"Additional Certificates" means any additional certificates of participation executed and delivered pursuant to the Trust Agreement (which includes the 2012A Certificates, the 2019-R1 Certificates and the 2020-R1 Certificates).

"Additional Rental" means the amounts specified as such in the Project Lease.

"Base Rental" means the amounts specified as such in the Project Lease, as such amounts may be adjusted from time to time in accordance with the terms of the Project Lease, and any amounts as may be

specified in a supplement to the Project Lease in connection with Additional Certificates, but does not include Additional Rental.

"Certificates" means the 2009A Certificates and all Additional Certificates under the Trust Agreement.

"Defeasance Securities" means

(i) Government Obligations and

(ii) pre-refunded fixed interest rate municipal obligations meeting the following conditions:

(a) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instruction concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash and/or Government Obligations;

(c) the principal of and interest on the Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations;

(d) the Government Obligations serving as security for the municipal obligations are held by an escrow agent or trustee;

(e) the Government Obligations are not available to satisfy any other claims, including those of or against the trustee or escrow agent; and

(f) the municipal obligations are rated AAA by S&P and Aaa by Moody's.

"Facilities" means the improvements, structures and fixtures related thereto and located on the Site, together with all other works, property or structures located from time to time on the Site. The Facilities will initially be the Link Building and the East Residence on the Site.

"Government Certificates" means evidences of indebtedness or ownership of proportionate interests in future principal and interest payments of Government Obligations, including depository receipts thereof, wherein

(i) a bank or trust company acts as custodian and holds the underlying Government Obligations;

(ii) the owner of the Government Certificate is a real party in interest with the right to proceed directly and individually against the obligor of the underlying Government Obligations; and

(iii) the underlying Government Obligations are held in trust in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian or any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Government Obligations" means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or evidence of ownership in a portion thereof (which may consist of specified portions of interest thereon and obligations of the Resolution Funding Corporation which constitute interest strips) if held by a custodian on behalf of the Trustee, obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and pre-refunded municipal obligations rated in the highest rating category by Moody's and S&P.

"Leased Property" means the Site and the Facilities, as the same may be modified, substituted or supplemented in accordance with the terms of the Project Lease.

"Permitted Investments" means, if and to the extent permitted by law and by any policy guidelines promulgated by the City:

(a) Government Obligations or Government Certificates;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Farmers Home Administration (FmHA) - Certificates of beneficial ownership;

(ii) Federal Housing Administration Debentures (FHA);

(iii) General Services Administration - Participation certificates;

(iv) Government National Mortgage Association (GNMA or "Ginnie Mae") - guaranteed mortgage backed bonds and GNMA guaranteed pass-through obligations (participation certificates);

(v) U.S. Maritime Administration - Guaranteed Title XI financing;

(vi) U.S. Department of Housing and Urban Development (HUD) - Project notes and local authority bonds; and

(vii) Any other agency or instrumentality of the United States of America the obligations of which are guaranteed by the full faith and credit of the United States of America;

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States of America government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System - Senior debt obligations (consolidated debt obligations);

(ii) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") - Participation certificates (mortgage-backed securities) and senior debt obligations;

(iii) Fannie Mae - mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities which are valued greater than par on the portion of the unpaid principal);

(iv) Student Loan Marketing Association (SLMA or "Sallie Mae") - Senior debt obligations;

(v) Resolution Funding Corp. (REFCORP) - Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(vi) Federal Farm Credit System - Consolidated system-wide bonds and notes; and

(vii) Any other agency or instrumentality of the United States of America the obligations of which are guaranteed by the non-full faith and credit of the United States of America;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P of AAAm-G or AAAm and by Moody's of Aaa;

(e) Certificates of deposit issued by a state or national bank or a state or federal savings and loan; provided that such certificates of deposit are required to be either (i) continuously and fully insured by the FDIC; or (ii) have a maturity of not greater than 365 days and have one of the two highest short-term letter and numerical ratings, at the time of purchase, of Moody's and S&P;

(f) Savings accounts or money market deposits that are fully insured by FDIC;

(g) Investment agreements, including guaranteed investment contracts, provided either (i) the long-term unsecured debt or claims ability of the issuer or guarantor thereof is rated, at the time of purchase, in one of the two highest rating category by Moody's and S&P, or (ii) such agreement is fully collateralized by Government Obligations or Government Certificates;

(h) Commercial paper of "prime" quality rated, at the time of purchase, in one of the two highest rating category by Moody's and S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States;

(i) Bonds or notes issued by any state or municipality which are rated, at the time of purchase, by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies;

(j) Federal funds or banker's acceptances which are eligible for purchases by members of the Federal Reserve System, drawn on any bank the short-term obligations of which are rated in the highest rating category by Moody's and S&P; provided that the maturity cannot exceed 270 days;

(k) Repurchase agreements with maturities of either (a) 30 days or less, or (b) less than one year, provided that the collateral is marked-to-market daily, entered into with financial institutions such as banks or trust companies organized under state or federal law, insurance companies, or government bond dealers reporting to, or trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of SPIC, or with a dealer or parent holding company that is rated, at the time of purchase, A or better by Moody's and S&P. The repurchase agreement must be in respect of Government Obligations or Government Certificates or obligations described in paragraph (b) above, which, exclusive of accrued interest, are required to be maintained at least 100% of par. In addition, repurchase agreements are required to meet the following criteria: (i) the third party (who is not permitted to be the provider of the collateral) has possession of the repurchase securities and the Government Obligations or Government Certificates; (ii) failure to maintain the requisite collateral levels requires liquidation; and (iii) the third party having possession of the securities has a perfected, first priority security interest in the securities;

(1) Defeasance Securities described in clause (ii) of the definition thereof;

(m) Any other debt or fixed income security specified by the City (except securities of the City and any agency, department, commission or instrumentality thereof) and rated, at the time of purchase, in one of the two highest rating category by Moody's and S&P, including pre-refunded municipal obligations;

(n) The Local Agency Investment Fund administered by the State of California; and

(o) Any investment, with confirmation from the Rating Agencies that the ratings on the Certificates will not be lowered as a result of such investment.

In connection with the purchase of any Permitted Investment, the City may enter into agreements, including forward purchase agreements, with the seller thereof.

"Project" means the health care, assisted living and/or other type of continuing care facility or facilities and related improvements and equipment to be financed with the 2009A Certificates, and any facilities financed with Additional Certificates, as the same may be amended, modified or supplemented in accordance with the Trust Agreement.

"Refunded Certificates" means the 2010A Certificates.

"Reserve Requirement" means, for the 2012A Certificates, as of any date of calculation, the least of (i) the maximum annual principal and interest payable with respect to the 2012A Certificates in the then current Fiscal Year or any future Fiscal Year, (ii) 125% of average annual principal and interest payable with respect to the 2012A Certificates payable in each Fiscal Year between the date of calculation and the last Certificate Payment Date of the 2012A Certificates or (iii) 10% of the principal amount of 2012A Certificates originally executed and delivered. For any Certificates other than the 2012A Certificates, including the 2020-R1 Certificates, the Reserve Requirement is zero dollars ($0.00) or such greater amount as may be designated in a supplement to the Original Trust Agreement executed in connection with the execution and delivery of such series of Certificates.

"Site" means the real property described in the Project Lease, including any real property substituted therefor or added thereto pursuant to the Project Lease, but excluding real property that has been released or for which new real property has been substituted in accordance with the Project Lease.

TRUST AGREEMENT

Although certain provisions of the Trust Agreement are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Trust Agreement.

Authorization and Designation

The Trustee is authorized and directed under the Trust Agreement to execute and deliver the 2009A Certificates to the original purchaser or purchasers thereof. The Certificates evidence proportionate interests in the right to receive Base Rental payments under the Project Lease, as more particularly described therein, in the Trust Agreement and in the Certificates.

Eminent Domain

If the Leased Property or any portion thereof is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) then the provisions set forth in the Project Lease pertaining to eminent domain will apply. Notwithstanding the provisions of the Project Lease, the City, with the prior written consent of a City Representative, within 90 days of the conclusion of the eminent domain proceeding, is to notify the Trustee in writing of whether the Leased Property will be replaced or the Certificates prepaid. The proceeds of any condemnation award are to be deposited as soon as possible with the Trustee and be held by the Trustee in a special fund and made available for and, to the extent necessary, are required to be applied to prepay Certificates in accordance with the Trust Agreement or applied to the cost of replacement of the Leased Property, in either case upon receipt of a written request of a City Representative. The Trustee may conclusively rely upon any such written request. Pending such application, such proceeds may be invested by the Trustee as directed by a City Representative in Permitted Investments that mature not later than such times that such moneys are expected to be needed.

The proceeds of any condemnation award remaining after the Leased Property has been replaced by property available to the City in substantially the same condition and fair rental value as that which existed prior to the eminent domain proceedings or the prepayment, or provision for the prepayment, of Certificates as required under the Trust Agreement, in each case as evidenced by a certificate signed by a City Representative

to such effect, are required to be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement (proportionately among any Reserve Accounts in the Reserve Fund). Any amounts not required to be so deposited into the Reserve Fund pursuant to the preceding sentence, if there is first delivered to the Trustee a written certificate of the Director of Property to the effect that the annual fair rental value of the Leased Property (including any replacement property) is at least equal to the maximum amount of Base Rental payments becoming due under the Project Lease in the then-current Project Lease Year or any subsequent Project Lease Year, are required to be paid to the City to be used for any lawful purpose. If the City cannot deliver the certificate described in the preceding sentence it is to so notify the Trustee in writing, and then any excess amounts are required to be transferred by the Trustee to the Base Rental Fund and used to prepay Certificates pursuant to the Trust Agreement, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

Title Insurance

Proceeds of any policy of title insurance received by the Trustee in respect of the Leased Property or any portion thereof for the benefit of the Owners are required to be applied and disbursed by the Trustee as follows:

(a) If the City determines that the title defect giving rise to such proceeds has not materially affected the City's right to the use and possession of the Leased Property and will not result in an abatement of Base Rental payable by the City under the Project Lease, upon written direction of the City such proceeds are required to be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Amounts not required to be so deposited, if there is first delivered to the Trustee a written certificate of a City Representative to the effect that the annual fair rental value of the Leased Property, notwithstanding the title defect for which the payment was made, is at least equal to the maximum amount of Base Rental becoming due under the Project Lease in the then current Project Lease Year or any subsequent Project Lease Year, are required to be paid to the City to be used for any lawful purpose. If the City cannot deliver the certificate described in the preceding sentence, then such amounts are required to be transferred to the Base Rental Fund and used to prepay Certificates pursuant to the Trust Agreement, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

(b) If any portion of the Leased Property has been affected by such title defect, and if the City certifies in writing that such title defect will result in an abatement of Base Rental payable by the City under the Project Lease, then upon written direction of the City either (i) the Trustee on behalf of the City is required to use the insurance proceeds to remove the title defect, or (ii) the Trustee, if not notified in writing by a City Representative within 90 days of the receipt by the Trustee of the insurance proceeds that the City will use the proceeds to remove the title defect, is required to deposit such proceeds in the Base Rental Fund, and such proceeds are required to be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

(c) Any excess proceeds with respect to title insurance remaining after application pursuant to the terms of the Trust Agreement are required to be paid to the City to be used for any lawful purpose.

Amendments to Trust Agreement

The Trust Agreement may be amended in writing by agreement between the parties thereto, but no such amendment will become effective as to the Owners unless and until approved in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding.

Notwithstanding the foregoing, the Trust Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners upon the written agreement

of a City Representative and the Trustee, but only for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Trust Agreement,

(a) in regard to questions arising under the Trust Agreement which the City and the Trustee may deem necessary or desirable and not inconsistent with the Trust Agreement and which does not materially adversely affect the interests of the Owners of the Certificates then Outstanding,

(b) to preserve and maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates,

(c) to qualify the Trust Agreement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time to time in effect,

(d) to execute and deliver Additional Certificates in accordance with the Trust Agreement, or

(e) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Certificates then Outstanding;

provided that the City and the Trustee may rely, in entering into any such amendment or modification thereof, upon the opinion of Independent Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification.

No amendment is permitted to impair the right of any Owner to receive principal and interest with respect to his or her Certificate without the consent of the affected Owner. No such amendment or supplement is permitted to (1) extend the payment date of any Certificate or reduce the rate of interest with respect thereto or extend the time of payment of such interest or reduce the amount of principal represented thereby without the prior written consent of the Owner of the Certificate so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment or any supplement to the Trust Agreement, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) amend the section of the Trust Agreement pertaining to Amendments to the Trust Agreement, without the prior written consent of the Owners of all Certificates then Outstanding.

Amendments to Property Lease or Project Lease

The Property Lease or the Project Lease may be amended in writing by agreement between the parties thereto, with the written consent of the Trustee, but no such amendment will become effective as to the Owners of the Certificates Outstanding unless and until approved in writing by the Owners of not less than a majority of the aggregate principal amount of Certificates then Outstanding.

Notwithstanding the foregoing, the Property Lease, the Project Lease and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners, upon the written agreement between the respective parties thereto, but only

(a) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Property Lease or the Project Lease,

(b) in regard to questions arising under the Property Lease or the Project Lease, which the City and the Trustee deem necessary or desirable and not inconsistent with the terms thereof and which do not materially adversely affect the interests of the Owners of the Certificates then Outstanding,

(c) to modify or amend the description of the Leased Property to release from the Property Lease or the Project Lease any portion thereof or to add or substitute other property and/or improvements for the Leased Property or any portion thereof in accordance with the Project Lease,

(d) to execute and deliver Additional Certificates in accordance with the Trust Agreement, or

(e) for any other reason, provided such modification or amendment does not materially adversely affect the interests of the affected Owners;

provided that the City and the Trustee may request and rely, in entering into any such amendment or modification thereof or giving its consent thereto, upon the opinion of Independent Counsel (which opinion may rely upon the certificates or opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification.

Notwithstanding anything in the Trust Agreement to the contrary, no amendment to the Property Lease or the Project Lease for the purpose of adding, substituting or releasing property and/or improvements as set forth in clause (c) above will be effective unless and until the City has satisfied the requirements set forth in the Project Lease.

Consent of Owners

If the City should desire to obtain any consent in writing of Owners, the governing body of the City may, by resolution, propose the amendment to which consent is desired. A copy of such resolution, together with a request to Owners for their consent to the amendment proposed to therein, is required to be mailed by first-class mail, postage paid, to each Owner at such Owner's address as it appears on the Certificate Register.

The lack of actual receipt by any Owner of such resolution and request for consent and any defects in such resolution and request for consent will not affect the validity of the proceedings for the obtaining of such consent. Any such written consent will be binding upon the Owner giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or by the subsequent Owner. To be effective, any revocation of consent must be filed at the address provided in the request for consent before the adoption of the resolution accepting consents as hereinafter described.

After the Owners of at least a majority of the aggregate principal amount of the Certificates then Outstanding have consented in writing, the governing body of the City is required to adopt a resolution accepting such consents and such resolution will constitute complete evidence of the consent of Owners under the Trust Agreement.

Notice specifying the amendment that has received the consent of Owners as required by the Trust Agreement is to be sent by first-class mail, postage prepaid, not more than 60 days following the final action in the proceedings for the obtaining of such consent, to each Owner at such Owner's address as it appears on the Certificate Register. Such notice is only for the information of Owners, and failure to mail such notice or any defect therein will not affect the validity of the proceedings theretofore taken in the obtaining of such consent.

City to Perform Property Lease and Project Lease

The City covenants and agrees with the Owners to perform all obligations and duties imposed on it under the Property Lease and the Project Lease.

Compliance with Trust Agreement

The Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions of the Trust Agreement, and the City will not suffer or permit any default by it to occur thereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Trust Agreement required to be complied with, kept, observed and performed by it.

Performance

The City is to faithfully observe all covenants and other provisions contained in the Financing Documents to which it is a party.

Prosecution and Defense of Suits

The City is to promptly take such action as may be necessary to cure any defect in the title to the Leased Property or any part thereof, whether now existing or hereafter occurring, and is to prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such purpose.

Further Assurances

The City will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement, and for the better assuring and confirming to the Owners the rights and benefits provided in the Trust Agreement.

Continuing Disclosure

The City has covenanted under the Project Lease that it will comply with the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate is not to be considered an Event of Default; however, the Trustee, to the extent indemnified from and against any cost, liability or expense, may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Certificates, is required to) or any Certificate holder or Beneficial Owner may, take such actions as may be necessary and appropriate, to cause the City to comply with the provisions of the Continuing Disclosure Certificate.

Events of Default

Any one or more of the following events are an "Event of Default" under the Trust Agreement: the City defaults under the Project Lease by failing to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to the Base Rental provisions of the Project Lease, by the related Interest Payment Date; or the City breaches any other provision of the Project Lease or fails to observe or perform any covenant, condition or agreement on its part to be observed or performed under the Trust Agreement, other than such failure as may constitute an Event of Default under the Trust Agreement pertaining to the failure to pay Base Rental, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee or to the City and the Trustee by the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding, provided, that failure to comply with the Continuing Disclosure Certificate does not constitute an Event of Default under the Trust Agreement; provided, further, however, if the failure stated in the notice cannot be corrected within such 60-day period, then such period will be extended so long as corrective action is instituted by the City within such period and diligently pursued until the default is corrected, but only if such extension would not materially adversely affect the interest of any Owner.

Remedies on Default

Upon the occurrence and continuance of any Event of Default specified in the Trust Agreement, pertaining to the failure to deposit with the Trustee any Base Rental payment required to be so deposited, the Trustee is to proceed, or upon the occurrence and continuance of any other Event of Default under the Trust Agreement, the Trustee may proceed (and upon written request of the Owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding, is required to proceed) to exercise the remedies set forth in the Project Lease to the extent an Event of Default has occurred under the Project Lease.

Notice of Events of Default

If an Event of Default occurs under the Trust Agreement, the Trustee is required to give notice, at the expense of the City of such Event of Default to the Owners. Such notice is to state that an Event of Default has occurred and is to provide a brief description of such Event of Default. The Trustee in its discretion may withhold notice if it deems it in the best interests of the Owners. The notice provided for in the Trust Agreement is required to be given by first-class mail, postage prepaid, to the Owners within 30 days of the Trustee's receipt of knowledge of the occurrence of such Event of Default.

No Remedy Exclusive

No remedy conferred upon or reserved to the Trustee under the Trust Agreement is intended to be exclusive and every such remedy will be cumulative and in addition to every other remedy given under the Trust Agreement, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default is to be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Owners to exercise any remedy reserved to it or them, it will not be necessary to give any notice other than such notice as may be required in the Trust Agreement or by law.

Waiver; No Additional Waiver Implied by One Waiver

The Trustee may in its discretion waive any Event of Default and its consequences and is to also do so upon the written request of the Owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding; provided, however, that no default in the payment of the principal, premium, if any, or interest with respect to any Certificate is to be waived unless prior to such waiver, all arrears of such payments have been made and all fees and expenses of the Trustee have been paid. In case of any such waiver, the Trustee, the City and the Owners are to be restored to their former positions and rights under the Trust Agreement, respectively, but such waiver is to be limited to the particular breach so waived and is not to be deemed to waive any other breach under the Trust Agreement.

Action by Owners

In the event the Trustee fails to take any action to eliminate an Event of Default under the Trust Agreement, the Owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding may institute suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Trust Agreement, but only if such Owners have first made written request of the Trustee after the right to exercise such powers or right of action has arisen, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee has been offered security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time.

Notwithstanding any other provision in the Trust Agreement, the right of any Owner to receive principal and interest in accordance with the terms of his or her Certificate or to institute suit for the

enforcement of any such payment on or after such payments become due is not to be impaired or affected without the consent of such Owner.

Application of Proceeds in Event of Default

Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses) and to pay all principal of and interest then due and unpaid with respect to all Outstanding Certificates, all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Trust Agreement or the Project Lease are required to be deposited by the Trustee into the Base Rental Fund and used first to pay interest with respect to the Certificates and then to pay the principal with respect to the Certificates. If the amount deposited into the Base Rental Fund is not sufficient to pay all overdue interest payments, the amounts deposited are required to be distributed pro rata to Owners on the basis of the amount of interest due and unpaid to such Owners. If the amount deposited into the Base Rental Fund is not sufficient to pay all overdue payments of principal, the amounts deposited are required to be distributed pro rata to Owners on the basis of the amount of principal due and unpaid to such Owners.

To the extent not required to be deposited into the Base Rental Fund pursuant to the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any rights and powers under the Trust Agreement are required to be applied as follows in the order of priority indicated:

(i) deposited into the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement; and (ii) any remaining amounts are required to be deposited into and retained in the Base Rental Fund for application to the payments due with respect to the Certificates on the next succeeding payment dates thereof.

Defeasance

(a) If all Certificates are paid and discharged as provided in the Trust Agreement, then all obligations of the Trustee and the City under the Trust Agreement with respect to all Certificates will cease and terminate, except only (i) the obligation of the Trustee to pay or cause to be paid to the Owners thereof all sums due with respect to the Certificates and to register, transfer and exchange Certificates pursuant to the Trust Agreement, (ii) the obligation of the City to pay the amounts owing to the Trustee under the Trust Agreement, and (iii) the obligation of the City to comply with provisions relating to the Rebate Fund and tax covenants in the Trust Agreement. Any funds held by the Trustee at the time of such termination which are not required for payment to Owners, or for payment to be made to the Trustee by the City, will be paid to the City to the extent of any amounts owed to it as evidenced by a certificate of a City Representative and any excess will be paid to the City.

Any Certificate or portion thereof in an Authorized Denomination will be deemed no longer Outstanding under the Trust Agreement if paid or discharged in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal and interest with respect to such Certificates which have become due and payable;

(ii) by depositing with the Trustee, in trust, cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations) which, together with the amounts then on deposit in the Base Rental Fund and the Reserve Fund and dedicated to this purpose is fully sufficient to pay on the Certificate Payment Date or earlier prepayment date thereof all principal of, premium, if any, and interest due with respect thereto; or

(iii) by depositing with the Trustee, in trust, Defeasance Securities in such amount as in the written report of a certified public accountant or other financial consultant will, together with the interest to accrue on such Defeasance Securities without the need for reinvestment, be fully sufficient to pay when due all principal, premium, if any, and interest with respect to such Certificate to the Certificate Payment Date or earlier prepayment date thereof, notwithstanding that such Certificates have not been surrendered for payment.

(b) Notwithstanding the foregoing, no deposit as described in clauses (a)(ii) or (a)(iii) above will be deemed a payment of such Certificates until the earlier to occur of:

(i) proper notice of prepayment of such Certificate will have been previously given in accordance with the Trust Agreement to the Owners thereof or, in the event such Certificate is not by its terms subject to prepayment within the next 45 days of making the deposit as described in clauses (ii) and (iii) of subsection (a) above, a City Representative will have given the Trustee irrevocable written instructions to mail by first-class mail, postage prepaid, notice to the Owners of such Certificate as soon as practicable stating that the deposit required as described in clauses (ii) and (iii) of subsection (a) above, as applicable, has been made with the Trustee and that such Certificate is deemed to have been paid and further stating such prepayment date or dates upon which money will be available for the payment of the principal and accrued interest thereon; or

(ii) the Certificate Payment Date of such Certificates.

(c) Any funds held by the Trustee at the time of the first to occur of the events described above with respect to all Certificates, which are not required for payment to Owners, or for payment to be made to the Trustee by the City, will be paid to the City to the extent of any amounts owed to it as evidenced by a certificate of a City Representative.

FIRST SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2009B Certificates

The Trustee is authorized and directed under the First Supplement to Trust Agreement to execute and deliver the 2009B Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the 2009A Certificates.

SECOND SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2012A Certificates

The Trustee is authorized and directed under the Second Supplement to Trust Agreement to execute and deliver the 2012A Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the 2009A Certificates and the 2009B Certificates.

THIRD SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2019-R1 Certificates

The Trustee is authorized and directed under the Third Supplement to Trust Agreement to execute and deliver the 2019-R1 Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the 2012A Certificates. A portion of the proceeds of the 2019-R1 Certificates was used, together with other funds of the City, to prepay and retire the 2009A Certificates and the 2009B Certificates.

FOURTH SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2020-R1 Certificates

The Trustee is authorized and directed under the Fourth Supplement to Trust Agreement to execute and deliver the 2020-R1 Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the Outstanding 2012A Certificates and 2019-R1 Certificates.

THE PROJECT LEASE

Although certain provisions of the Project Lease are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Project Lease.

Project Lease Term; Transfer of Title to City

Pursuant to the Project Lease, the Trustee leases the Leased Property to the City, and the City leases the Leased Property from the Trustee and agrees to pay the Base Rental and the Additional Rental as provided therein for the right to use and occupy the Leased Property, all on the terms and conditions set forth therein.

The term of the Project Lease began on May 27, 2009, and will end on the earliest of

(a) April 1, 2036 or

(b) at such earlier date as the Certificates and all other amounts due under the Project Lease and under the Trust Agreement have been paid or provision for their payment have been made in accordance with the Trust Agreement, or

(c) the date of termination of the Project Lease due to casualty or condemnation in accordance with the terms of the Project Lease;

provided, however, that, to the extent permitted by law, if Base Rental has been abated in any year in accordance with the Project Lease or has otherwise gone unpaid in whole or in part, the term of the Project Lease will end on the earlier of the date falling 10 years after the date set forth in subparagraph (a) above, or April 1, 2046, or the date on which no Certificates remain Outstanding and all Additional Rental has been paid.

Upon the termination of the Project Lease (other than as provided in the sections of the Project Lease relating to Eminent Domain or Default by the City), all of the Trustee's right, title and interest with respect to the Leased Property, and any improvements thereon or additions thereto, will be transferred directly to the City or, at the option of the City, to any assignee or nominee of the City, in accordance with the provisions of the Project Lease, free and clear of any interest of the Trustee. Upon such termination, the Trustee will execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Rental Payments

The City agrees, subject to the terms of the Project Lease, to pay to the Trustee the Base Rental and to pay to the parties entitled thereto Additional Rental in an aggregate amount not greater than the fair rental value of the Leased Property in each Project Lease Year. In satisfaction of its obligations under the Project Lease, the City is required to pay the Base Rental and Additional Rental in the amounts, at the times and in the manner hereinafter described, such amounts constituting the aggregate rent payable under the Project Lease.

Budget

The City covenants under the Project Lease to take such action as may be necessary to include all Rental Payments due thereunder in its annual budget and to make the necessary annual appropriations for all such Rental Payments, subject to the rental abatement provisions of the Project Lease. The requirement to include the Rental Payments in the annual budget and to make the necessary appropriations therefor are deemed to be, and are to be construed as, ministerial duties imposed by law. Notwithstanding the foregoing, the obligation of the City to make Base Rental or Additional Rental payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental or Additional Rental payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Payment; Credit

Amounts necessary to pay Base Rental are required to be deposited by the City on the dates set forth in the Project Lease, in lawful money of the United States of America, at the Principal Office of the Trustee, or at such other place or places as may be established in accordance with the Trust Agreement. Except as provided in the provisions of the Project Lease regarding rental abatement, any amount necessary to pay any Base Rental or portion thereof that is not so deposited is to remain due and payable until received by the Trustee. Notwithstanding any dispute between the City and the Trustee under the Project Lease, the City is required to make all Rental Payments when due and is not to withhold any Rental Payments pending the final resolution of such dispute or for any reason whatsoever. The City's obligation to make Rental Payments in the amount and on the terms and conditions specified under the Project Lease is absolute and unconditional without any right of set-off or counterclaim, and without abatement, subject only to the applicable provisions of the Project Lease. Amounts required to be deposited with the Trustee pursuant to the Project Lease on any date set forth in the Project Lease are to be reduced as permitted in the Project Lease.

Additional Rental

In addition to the Base Rental set forth in the Project Lease, the City agrees to pay as Additional Rental all of the following:

(i) All taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Leased Property or upon any interest of the Trustee or the Owners therein or in the Project Lease;

(ii) Insurance premiums, if any, on all insurance required under the provisions of the Project Lease;

(iii) All fees, costs and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) of the Trustee and any paying agent in connection with the Trust Agreement;

(iv) Amounts required to be deposited in the Rebate Fund in accordance with the Tax Certificate;

(v) Any other fees, costs or expenses incurred by the Trustee in connection with the execution, performance or enforcement of the Project Lease or any assignment thereof or of the Trust Agreement or any of the transactions contemplated hereby or thereby or related to the Leased Property; and

(vi) Amounts required to replace, maintain and repair the Leased Property pursuant to the Project Lease.

Amounts constituting Additional Rental payable under the Project Lease will be paid by the City directly to the person or persons to whom such amounts are payable. The City will pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 30 days after notice in writing from the Trustee to the City stating the amount of Additional Rental then due and payable and the purpose thereof.

Rental Abatement

Except to the extent of (i) available amounts held by the Trustee in the Base Rental Fund or in the Reserve Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for payments in respect of the Project Lease or to the Trustee for payments in respect of the Certificates, Rental Payments due under the Project Lease are to be subject to abatement in accordance with the Project Lease during any period in which, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, non-completion of the construction of the Facilities, or due to defects in title to the Leased Property, or any portion thereof, there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City.

The amount of annual rental abatement will be such that the resulting Rental Payments in any Project Lease Year during which such interference continues, excluding any amounts described in clauses (i), (ii), (iii) above, do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of a City Representative. Such abatement will continue for the period commencing with the date of such damage, destruction, condemnation or discovery of such title defect and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect. In the event of any such damage, destruction, condemnation or title defect, the Project Lease is to continue in full force and effect, except as set forth in the Project Lease under sections pertaining to eminent domain and application of insurance proceeds. Notwithstanding the foregoing, the City in its sole discretion may in lieu of abatement elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to the Project.

Triple Net Lease

The Project Lease is intended to be a triple net lease. The City agrees that the Rental Payments provided for therein are to be an absolute net return to the Trustee free and clear of any expenses, charges or set-offs whatsoever.

Replacement, Maintenance and Repairs

The City is to, at its own expense and as determined and specified by the Director of Property, during the Project Lease Term maintain the Leased Property, or cause the same to be maintained, in good order, condition and repair. The City is to replace any portion of the Leased Property that is destroyed or damaged to such an extent that there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City that would result in an abatement of Rental Payments or any portion thereof pursuant to the Project Lease; provided, however, that the City will not be required to repair or replace any such portion of the Leased Property pursuant to the Project Lease if there will be applied to the prepayment of Outstanding Certificates insurance or condemnation proceeds or other legally available funds sufficient to prepay (i) all of the Certificates Outstanding and to pay all other amounts due thereunder and under the Trust Agreement, or (ii) any portion thereof such that the resulting Rental Payments payable pursuant to the Project Lease in any Project Lease Year following such partial prepayment are sufficient to pay in the then current and any future Project Lease Year the principal and interest with respect to all Certificates to remain Outstanding and all other amounts due under the Project Lease and under the Trust Agreement, to the extent it is due and payable in such Project Lease Year.

The City will provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Leased Property. It is understood and agreed that in consideration of the payment by the City of the Rental Payments herein described, the City is entitled to use and occupy the Leased Property and the Trustee has no obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Property during the Project Lease Term. The Trustee will not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Leased Property. The City expressly waives the right to make repairs or to perform maintenance of the Leased Property at the expense of the Trustee and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the California Civil Code relating thereto.

The City will keep the Leased Property free and clear of all liens, charges, security interests and encumbrances that materially reduce the fair rental value of the Leased Property other than (i) those existing on or prior to the Closing Date, including the exceptions listed on Schedule B to the applicable pro forma title policy (ii) those existing on or prior to the date any property is substituted for the Leased Property or any portion thereof pursuant to the Project Lease or any property is added to the Leased Property in connection with Additional Certificates pursuant to the Trust Agreement, including the exceptions listed on Schedule B to the applicable pro forma title policy, (iii) any supplements or amendments to the Project Lease or Property Lease which are entered into pursuant to the terms thereof, including but not limited to supplements or amendments in connection with Additional Certificates delivered pursuant to the Trust agreement, (iv) any liens of mechanics, materialmen, suppliers, vendors or other persons or entities for work or services performed or materials furnished in connection with the Leased Property that are not due and payable or the amount, validity or application of which is being contested in accordance with the Project Lease and (v) any encumbrances that do not materially reduce the fair rental value of the Leased Property under the Project Lease (collectively, the "Permitted Encumbrances").

Taxes, Other Governmental Charges and Utility Charges

The City contemplates that the Leased Property will be used for a governmental purpose of the City and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to the Leased Property. Nevertheless, the City hereby agrees to pay during the Project Lease Term, as the same respectively become due, all taxes (except for income or franchise taxes of the Trustee), utility charges and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property; provided, however, that with respect to any governmental charges that may lawfully be paid in installments over a period of years, the City will be obligated to pay only such installments as are accrued during such time as the Project Lease is in effect; and provided further, that the City may contest in good faith the validity or application of any tax, utility charge or governmental charge in any reasonable manner that, in the opinion of Independent Counsel does not adversely affect the right, title and interest of the Trustee in and to any portion of the Leased Property or its rights or interests under the Project Lease or subject any portion of the Leased Property to loss or forfeiture. Any such taxes or charges will constitute Additional Rental under the Project Lease and will be payable directly to the entity assessing such taxes or charges.

Insurance

The City is to maintain or cause to be maintained, throughout the Project Lease Term (but during the period of construction of the Facilities only the insurance described in paragraphs (i) and (vi) below is to be required and may be provided by the contractor under the construction contract for the Facilities):

(i) General liability insurance against damages occasioned by reason of the construction of improvements to, or operation of, the Leased Property. Such liability insurance may be maintained as part of or in conjunction with excess coverage or any other liability insurance coverage carried by the City.

(ii) All risk property insurance on all structures constituting any part of the Leased Property in an amount equal to the Outstanding principal amount of Certificates (to the extent commercially available). Said insurance is to, as nearly as practicable, cover loss or damage by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

(iii) To the extent commercially available, earthquake insurance in an amount equal to the lesser of the Outstanding principal amount of the Certificates; provided that no such earthquake insurance is required if the Risk Manager files a written recommendation annually with the Trustee that such insurance is not obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies.

(iv) Commencing on the date of Final Completion of the Facilities, rental interruption insurance with the Trustee as a named insured, as its interests may appear, in an amount not less than the aggregate Base Rental payable by the City pursuant to the Project Lease for a period of at least 24 months (such amount to be adjusted annually on or prior to October 1 of each year, to reflect the actual scheduled Base Rental payments due under the Project Lease for the next succeeding 24 months), to insure against loss of rental income from the Leased Property caused by perils covered by the insurance required by clauses (ii) and (iii) above. Such insurance will not be subject to any deductible.

(iv) Boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment.

(v) Builders' risk insurance in an amount equal to the lesser of the Outstanding principal amount of the Certificates, or the replacement cost of the Facilities, which insurance is to be outstanding until Final Completion of the Facilities.

Notwithstanding anything in the Project Lease to the contrary, the City has the right to adopt alternative risk management programs to insure against any of the risks required to be insured against under the Project Lease, including a program of self-insurance (other than rental interruption insurance and title insurance), in whole or in part.

The City is required to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the Certificates, insuring a leasehold interest in the Leased Property in the name of the Trustee, and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Certificates.

Liens

The City promptly will pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Leased Property and that may be secured by any mechanic's, materialman's or other lien against the Leased Property, or the interest of the Trustee therein, and will cause each such lien to be fully discharged and released; provided, however, that the City or the Trustee (i) may contest in good faith any such claim or lien without payment thereof so long as such non-payment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the City will forthwith pay and discharge such judgment or lien, or (ii) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty or forfeiture.

Laws and Ordinances

The City agrees to observe and comply with all rules, regulations and laws applicable to the City with respect to the Leased Property and the operation thereof. The cost, if any, of such observance and compliance will be borne by the City, and the Trustee will not be liable therefor. The City agrees further to place, keep, use, maintain and operate the Leased Property in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

Performance

The City will faithfully observe all covenants and other provisions contained in the Financing Documents (as defined in the Trust Agreement) to which it is a party.

Tax Matters. In order to maintain the exclusion from gross income for federal income tax purposes of the interest with respect to the Certificates, the City covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code. In furtherance of this covenant, the City agrees to comply with the covenants contained in, and the instructions given pursuant to, the Tax Certificate (as defined in the Trust Agreement), as such Tax Certificate may be amended from time to time. .

Continuing Disclosure

The City covenants and agrees that it will comply with the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate will not be considered an event of default under the Project Lease; however, the Trustee may (and, at the request of the Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least twenty-five percent (25 %) of the aggregate principal amount of the Outstanding Certificates, is to) or any holder or Beneficial Owner (as defined in the Continuing Disclosure Certificate), may take such actions as may be necessary and appropriate to cause the City to comply with the provisions of the Continuing Disclosure Certificate.

Acquisition, Construction and Renovation of the Facilities

The City will use its commercially reasonable best efforts to cause the construction, renovation and installation to be performed diligently to the end that the Facilities will be substantially completed in accordance with the aforesaid plans and specifications. The City will cause the acquisition, construction, renovation, installation or improvement to the Facilities to be completed in accordance with any applicable requirements of governmental authorities and law.

Eminent Domain

If the Leased Property, or so much thereof as to render the remainder of the Leased Property unusable for the City's purposes under the Project Lease, is taken under the power of eminent domain, then the Project Lease terminates as of the later of the day possession is so taken and the date of entry of the interlocutory judgment and in either case, after payment of any Additional Rental owed thereunder. Notwithstanding the foregoing, the City may, at its option, but is not obligated to apply the proceeds relating to the condemnation to the replacement of the condemned Leased Property, and in the event there has been an abatement of Rental Payments pursuant to the Project Lease, then Rental Payments again begin to accrue with respect thereto upon replacement of the Leased Property.

If less than a substantial portion of the Leased Property is taken under the power of eminent domain, and the remainder is useable for the City's purposes, then the Project Lease is to continue in full force and effect as to the remaining portions of the Leased Property, subject only to such rental abatement as is required by the Project Lease. The City and the Trustee waive the benefit of any law to the contrary. Any award made

in eminent domain proceedings for the taking is required to be paid to the Trustee for application in accordance with the provisions of the Trust Agreement. If the City elects, pursuant to the Trust Agreement, to apply such proceeds to the repair or replacement of the condemned portion of the Leased Property, and in the event there has been an abatement of Rental Payments pursuant to the Project Lease, then Rental Payments again begin to accrue with respect thereto upon the completion of repair or replacement of such portion of the Leased Property.

Assignment

The City is not permitted to sell, mortgage, pledge, assign or transfer any interest of the City in the Project Lease or in the Leased Property by voluntary act or by operation of law, or otherwise; provided, however, that the City may grant concessions (including by sublease) to others involving the use of any portion of the Leased Property whether or not such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Property. Any such concession will be, and is to specifically state that it is, subject and subordinate in all respects to the Project Lease. Subject to the limitations set forth in the Project Lease, the City will at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Project Lease, notwithstanding any granting of concessions which may be made. Nothing contained in the Project Lease is to be construed to relieve the City of its primary obligation to pay Rental Payments as provided in the Project Lease or to relieve the City of any other obligations contained therein. In no event is the City to sublease to or permit the use of all or any part of the Leased Property by any person so as to cause the interest component with respect to the Certificates to be includable in gross income for federal income tax purposes or to be subject to State personal income tax.

The City expressly approves and consents to the Trust Agreement and to the execution and delivery of the Certificates evidencing proportionate interests in all of the rights of the Trustee under the Project Lease, including the right to receive Base Rental Payments thereunder.

Additions and Improvements; Removal

The City will have the right during the Project Lease Term to make any additions or improvements to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the Leased Property, so long as the fair rental value of the Leased Property is not thereby materially reduced. Title to all fixtures, equipment or personal property placed by the City on the Leased Property is to remain in the City to the extent that such items may be removed from the Site without damage. Title to any personal property, improvements or fixtures placed on any portion of the Leased Property by any sublessee or licensee of the City is to be controlled by the sublease or license agreement between such sublessee or licensee and the City, which sublease or license agreement is not to be inconsistent with the Project Lease.

Right of Entry

Representatives of the Trustee, subject to reasonable security precautions, have the right (but not the duty) to enter upon the Leased Property during reasonable business hours (and in emergencies at all times) (i) to inspect the same, (ii) for any purpose connected with the rights or obligations of the Trustee under the Project Lease, or (iii) for all other lawful purposes.

Quiet Enjoyment

The Trustee covenants and agrees that the City, upon keeping and performing the covenants and agreements contained in the Project Lease, at all times during the Project Lease Term, will peaceably and quietly have, hold, and enjoy the Leased Property.

Indemnification and Hold Harmless Agreement

To the extent permitted by law, the City hereby agrees to indemnify and hold the Trustee and its officers, directors and employees harmless against any costs, expenses, claims and all other liabilities (other than the negligence or willful misconduct of the Trustee and its officers, directors and employees) that might arise out of or are related to the Leased Property or any portion thereof (including, without limitation, arising out of any use, storage, release, presence or disposal of any Hazardous Substances on or about the Leased Property and the acquisition, transfer, delivery and use of the Leased Property) and the Certificates. The provisions of the Project Lease described in this paragraph will survive the termination of the Project Lease.

Events of Default

The following are events of default under the Trust Agreement: (i) the City fails to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to the applicable Project Lease provisions by the related Interest Payment Date; (ii) the City fails to pay any item of Additional Rental as and when the same become due and payable pursuant to the Project Lease, or (iii) the City breaches any other terms, covenants or conditions contained in the Project Lease, in the Property Lease or in the Trust Agreement, and fails to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee, or its assignee to the City, or, if such breach cannot be remedied within such 60-day period, fails to institute corrective action within such 60-day period and diligently pursue the same to completion; provided, however, that failure to comply with the Continuing Disclosure Certificate will not constitute an event of default under the Project Lease.

Remedies on Default

The Trustee has the right, at its option, without any further demand or notice

(i) to reenter the Leased Property and eject all parties in possession therefrom and, without terminating the Project Lease, relet the Leased Property as the agent and for the account of the City upon such terms and conditions as the Trustee may deem advisable, in which event the rents received on such reletting are required to be applied as set forth in the Trust Agreement; provided, that if a sufficient sum is not realized to pay such sums and other charges then the City is required to pay to the Trustee any net deficiency existing on the date when the Base Rental or Additional Rental is due under the Project Lease; provided, however, that such reentry and reletting are to be done only with the consent of the City, which consent is irrevocably given; or

(ii) in lieu of the above, so long as the Trustee does not terminate the Project Lease or the City's possession of the Leased Property, to enforce all of its rights and remedies under the Project Lease, including the right to recover Base Rental payments as they become due under the Project Lease pursuant to Section 1951.4 of the California Civil Code by pursuing any remedy available in law or in equity, except as expressly provided therein.

Any reentry pursuant to the Project Lease is to be allowed by the City without hindrance, and the Trustee will not be liable in damages for any reentry or be guilty of trespass. The Trustee or any assignee of the rights of the Trustee thereunder is not to exercise its remedies thereunder so as to cause the interest with respect to the Certificates to be includable in gross income for federal income tax purposes or the interest with respect to the Certificates to be subject to State personal income tax.

Notwithstanding any other provision of the Project Lease or the Trust Agreement, (i) in no event is the Trustee to have the right to accelerate the payment of any Base Rental under the Project Lease and (ii) the foregoing remedies to reenter and relet the Leased Property are to be subject to applicable laws regarding the use of such property (including but not limited to applicable laws relating to the use of property financed with general obligation bonds or federal or state grants).

Each and every remedy of the Trustee or any assignee of the rights of the Trustee under the Project Lease is cumulative and the exercise of one remedy will not impair the right of the Trustee or its assignee to any or all other remedies. If any statute or rule validly limits the remedies given to the Trustee or any assignee of the rights of the Trustee, the Trustee or its assignee nevertheless will be entitled to whatever remedies are allowable under any statute or rule of law.

All damages and other payments received by the Trustee pursuant to the provisions of the Project Lease pertaining to default are required to be applied in the manner set forth in the Trust Agreement.

Addition, Release and Substitution

If no Project Lease Event of Default has occurred and is continuing thereunder, the Project Lease may be modified or amended at any time, and the Trustee may consent thereto without the consent of the Owners, if such amendment is to modify or amend the description of the Leased Property or to release from the Project Lease any portion of the Leased Property, or to add other property and improvements to the Leased Property or substitute other property and improvements for the Leased Property, provided that the City has delivered to the Trustee and to the Rating Agencies all of the following:

(i) Executed copy of the Project Lease and, if applicable, the Property Lease or amendments thereto containing the amended legal description of the Leased Property;

(ii) Evidence that a copy of the Project Lease and, if applicable, the Property Lease or amendments thereto containing the amended legal description of the Leased Property have been duly recorded in the official records of the County Recorder of the County of San Francisco;

(iii) A certificate of a City Representative stating that the annual fair rental value of the Leased Property and/or improvements that will constitute the Leased Property after such addition, release or substitution will be at least equal to 100% of the maximum amount of Base Rental payments becoming due in the then current Project Lease Year or in any subsequent Project Lease Year;

(iv) In the case of the addition or substitution of property for the then existing Leased Property, a title policy or policies meeting the requirements of the Project Lease, or a commitment or commitments for such policies or amendments or endorsements to existing policies resulting in the issuance of a title insurance policy with respect to the Leased Property after such addition or substitution in an amount at least equal to the amount of such insurance provided with respect to the Leased Property prior to such addition or substitution. Each such insurance instrument, when issued, is to insure such added or substituted project subject only to such exceptions as do not substantially interfere with the City's right to use and occupy such added or substituted project and as will not result in an abatement of Base Rental payments payable by the City under the Project Lease;

(v) A certificate of a City Representative stating that such addition, release or substitution does not materially adversely affect the ability of the City to perform its obligations under the Project Lease or the Property Lease;

(vi) (A) An opinion of counsel stating that such amendment or modification (1) is authorized or permitted by the Constitution and laws of the State and by the Project Lease, the Property Lease and the Trust Agreement; (2) complies with the terms of the Constitution and laws of the State and of the Project Lease, the Property Lease and the Trust Agreement; and (3) will, upon the execution and delivery thereof, be valid and binding upon the Trustee and the City in accordance with its terms; and (B) an opinion of Independent Counsel stating that such amendment or modification will not cause the interest component of the Base Rental payments relating to the Certificates to be

included in gross income for federal income tax purposes or the interest component of the Base Rental payments relating to the Certificates to be subject to State personal income tax;

(vii) A certificate of a City Representative stating that the useful life of the project that will constitute the Leased Property after such addition, release or substitution meets or exceeds the remaining term of the Certificates; and

(viii) A certificate of the Director of Property stating the useful life of the project that will constitute the Leased Property after such addition, release or substitution and that such project is not encumbered by any prior liens (other than Permitted Encumbrances and liens which do not, in the aggregate, prohibit the use of such project in the manner intended by the City).

Amendment

The Project Lease may be amended only in accordance with and as permitted by the terms of the Trust Agreement. Any amendment in connection with the execution and delivery of Additional Certificates will be substantially in the form of the Project Lease.

Excess Payments

Notwithstanding anything contained in the Project Lease or in the Trust Agreement to the contrary, if for any reason, including but not limited to damage, destruction, condemnation, transfer, sale or disposition, the City or the Trustee receives payments, proceeds or awards with respect to the Leased Property in excess of the amount necessary to pay or prepay or provide in accordance with the Trust Agreement for the payment or prepayment of all of the Outstanding Certificates and all other amounts due under the Project Lease and under the Trust Agreement, such excess represents the City's equity interest in the Leased Property and is all to be paid to the City.

FIRST SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2009B Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the 2009B Certificates, showing a leasehold interest in the Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the 2009B Certificates.

SECOND SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2012A Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the 2012A Certificates, showing a leasehold interest in the Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the 2012A Certificates.

THIRD SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2019-R1 Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the 2019-R1 Certificates, showing a leasehold interest in the Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the 2019-R1 Certificates.

FOURTH SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2020-R1 Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required) with respect to the additional Leased Property identified in Exhibit A-1 attached to the Fourth Supplemental Project Lease (which is the property generally known as the San Bruno Complex, 1 Moreland Drive, San Bruno, California 94006), which policy, when combined with the policy of title insurance issued in connection with the issuance and delivery of the 2019-R1 Certificates, is to be in an aggregate amount at least equal to the initial aggregate principal amount of the 2020-R1 Certificates and then-outstanding aggregate principal amounts of the 2012A Certificates and the 2019-R1 Certificates, inclusive, showing a leasehold interest in such additional Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the 2020-R1 Certificates and such outstanding 2012A Certificates and 2019-R1 Certificates.

THE PROPERTY LEASE

Although certain provisions of the Property Lease are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Property Lease.

Lease of Leased Property

The City leases to the Trustee the real property located in San Francisco, California and described in Exhibit A attached to the Property Lease (the "Site"), together with all buildings and improvements then situated or thereafter constructed thereon (collectively, the "Leased Property"), subject (i) to the terms thereof and (ii) to Permitted Encumbrances. The City also grants to the Trustee such rights of ingress and egress to the Site (as defined in the Project Lease) and infrastructure and utilities as the Trustee may require in order to fulfill its obligations under the Property Lease and under the Project Lease.

Assignment and Project Lease

As long as the Project Lease is in effect and there has been no event of default under the Project Lease, the Trustee is not to assign, mortgage, hypothecate or otherwise encumber the Property Lease or any rights thereunder or the leasehold created thereby pursuant to any trust agreement, indenture or deed of trust or otherwise, or sublet the Leased Property, in all cases, without the written consent of the City.

The City expressly approves and consents to the Project Lease and the Trust Agreement and to the execution and delivery of the Certificates evidencing proportionate interests in all of the rights of the Trustee under the Project Lease, including the right to receive Base Rental Payments payable thereunder.

Right of Entry

The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time.

Quiet Enjoyment

The Trustee at all times during the term of the Property Lease will peaceably and quietly have, hold and enjoy all of the Leased Property.

Default

In the event that the Trustee or its assignee is in default in the performance of any obligation on its part to be performed under the terms of the Property Lease, the City may exercise any and all remedies granted by law, except that no merger of the Property Lease and of the Project Lease will be deemed to occur as a result thereof; provided, however, that the City has no power to terminate the Property Lease by reason of any default on the part of the Trustee or its assignee so long as any Certificate is Outstanding. So long as any such assignee of the Trustee or any successor in interest to the Trustee duly performs the terms and conditions of the Property Lease, such assignee is be deemed to be and becomes the tenant of the City under the Property Lease, entitled to all of the rights and privileges granted under any such assignment.

FIRST SUPPLEMENT TO PROPERTY LEASE

Rent

Under the Original Property Lease, as additional consideration to the City, the parties agreed that, upon a request made by the City to the Trustee within twenty-four (24) months of the date thereof, the parties would amend the Original Property Lease to increase the rent payable by the Trustee thereunder by an amount specified by the City not to exceed $42,000,000, and negotiate in good faith in connection with an amendment to the Original Property Lease to provide for additional Base Rental payments by the City thereunder. The City and the Trustee agreed in the First Supplement to Property Lease that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2009B Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the First Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Trust Agreement.

SECOND SUPPLEMENT TO PROPERTY LEASE

Rent

As additional consideration to the City payable under the Original Property Lease, the City and the Trustee agreed that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2012A Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the Second Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Original Trust Agreement.

THIRD SUPPLEMENT TO PROPERTY LEASE

Rent

As additional consideration to the City payable under the Original Property Lease, the City and the Trustee agree that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2019-R1 Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the

Third Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Third Supplement to Trust Agreement.

FOURTH SUPPLEMENT TO PROPERTY LEASE

Rent

As additional consideration to the City payable under the Original Property Lease, the City and the Trustee agree that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2020-R1 Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the Fourth Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Fourth Supplement to Trust Agreement.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$70,640,000
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2020-R1
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the delivery of the certificates of participation captioned above (the "Certificates"). The Certificates are issued pursuant to that certain Trust Agreement, dated as of May 1, 2009 (the "Original Trust Agreement"), as previously supplemented and amended and as supplemented and amended by the Fourth Supplement to Trust Agreement, dated as of November 1, 2020 (as supplemented and amended, the "Trust Agreement"), between the City and U.S. Bank National Association, as trustee (the "Trustee"). Pursuant to Section 8.10 of the Original Trust Agreement and Section 4.8 of that certain Project Lease, dated as of May 1, 2009, as previously supplemented and amended and as supplemented and amended by the Fourth Supplement to Project Lease, dated as of November 1, 2020 (as supplemented and amended, the "Project Lease"), by and between the Trustee and the City, the City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters (defined below) in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms will have the following meanings:

"Annual Report" will mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" will mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Certificates or to dispose of ownership of any Certificates; or (b) is treated as the owner of any Certificates for federal income tax purposes.

"Dissemination Agent" will mean the City, acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Financial Obligation" means "financial obligation" as such term is defined in the Rule.

"Holder" will mean either the registered owners of the Certificates, or, if the Certificates are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" will mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" will mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at *http://emma.msrb.org.*

"Participating Underwriter" will mean any of the original underwriters or purchasers of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Rule" will mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City will, or will cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is June 30), commencing with the report for the 2019-20 Fiscal Year (which is due not later than March 27, 2021), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City will provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City will submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's fiscal year changes, it will give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City will send, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent will (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City's Annual Report will contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general-purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities;

(b) a summary of budgeted general fund revenues and appropriations;

(c) a summary of the assessed valuation of taxable property in the City;

(d) a summary of the ad valorem property tax levy and delinquency rate;

(e) a summary of aggregate annual scheduled lease payments or rental obligations with respect to outstanding certificates of participation and lease revenue bonds payable from the general fund of the City.

(f) a summary of outstanding and authorized but unissued general fund lease obligations, certificates of participation, and other long-term obligations payable from the general fund of the City.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City will clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates:

(1) Principal and interest payment delinquencies;
(2) Nonpayment related defaults, if material;
(3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
(7) Modifications to the rights of Certificate holders, if material;
(8) Certificate calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Certificates, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) Consummation of a merger, consolidation or acquisition involving an obligated person of the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
(15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City will, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate will terminate upon the legal defeasance, prepayment or payment in full of all of the Certificates. If

such termination occurs prior to the final Certificate Payment Date of the Certificates, the City will give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original delivery of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Certificates or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City will describe such amendment in the next Annual Report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City will have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure

Certificate in the event of any failure of the City to comply with this Disclosure Certificate will be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate will inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Certificates, and will create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Date: November 3, 2020.

CITY AND COUNTY OF SAN FRANCISCO

_____
Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of City:	CITY AND COUNTY OF SAN FRANCISCO
Name of Issue:	CITY AND COUNTY OF SAN FRANCISCO REFUNDING CERTIFICATES OF PARTICIPATION SERIES 2020-R1 (MULTIPLE CAPITAL IMPROVEMENT PROJECTS)
Date of Delivery:	NOVEMBER 3, 2020

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated the Date of Delivery. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: ____[to be signed only if filed]_____
Title: _____

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-10 of this Appendix E, concerning The Depository Trust Company ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this appendix, "Securities" means the Certificates, "Issuer" means the City, and "Agent" means the Trustee.

1. The Depository Trust Company ("DTC") will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

APPENDIX F

PROPOSED FORM OF CO-SPECIAL COUNSEL OPINIONS

_____, 2020

Board of Supervisors
City and County of San Francisco
San Francisco, California

Re: $70,640,000 City and County of San Francisco Refunding Certificates of Participation, Series 2020-R1 (Multiple Capital Improvement Projects)

We have acted as co-special counsel to our client the City and County of San Francisco (the "City") in connection with the execution and delivery by the City of the $70,640,000 City and County of San Francisco Refunding Certificates of Participation, Series 2020-R1 (Multiple Capital Improvement Projects) (the "Certificates"), evidencing undivided and proportionate interests of the owners of the Certificates in certain base rental payments (the "Base Rental Payments") to be made by the City pursuant to that certain Project Lease, dated as of May 1, 2009, as previously supplemented and amended (the "Original Project Lease"), as further supplemented and amended by that certain Fourth Supplement to Project Lease, dated as of November 1, 2020 (the "Fourth Supplement to Project Lease" and, together with the Original Project Lease, as previously supplemented and amended, the "Project Lease"), by and between U.S. Bank National Association, as lessor, and the City, as lessee. In that regard, we have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the City in connection with the authorization, execution and delivery by the City of the Project Lease. We have also reviewed that certain Trust Agreement, dated as of May 1, 2009, as previously supplemented and amended (the "Original Trust Agreement"), as further supplemented and amended by that certain Fourth Supplement to Trust Agreement, dated as of November 1, 2020 (the "Fourth Supplement to Trust Agreement" and, together with the Original Trust Agreement, as supplemented and amended, the "Trust Agreement"), by and between U.S. Bank National Association, as trustee (the "Trustee"), and the City. Each capitalized term used but not defined herein shall have the meaning given thereto in the Trust Agreement.

Pursuant to the Trust Agreement, the Trustee has agreed to execute and deliver the Certificates, which Certificates are dated their date of delivery. The Certificates mature on the dates and in the amounts set forth in the Fourth Supplement to Trust Agreement, and interest due with respect to the Certificates is payable on the dates and at the rates per annum set forth in the Fourth Supplement to Trust Agreement.

In our capacity as co-special counsel, we have examined the transcript of proceedings relating to the issuance of the Certificates, the Trust Agreement, the Project Lease, a copy of the signed and authenticated Certificates and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. Each of the Project Lease and the Trust Agreement has been duly authorized, executed and delivered by the City and constitutes a valid and legally binding agreement of the City enforceable against the City in accordance with its terms.

2. The obligation of the City to pay Base Rental Payments in accordance with the terms of the Project Lease is a valid and binding obligation payable from the funds of the City lawfully available therefor, and the obligation of the City to make Base Rental Payments under the Project Lease does not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any statutory or constitutional debt limitation or restriction and does not constitute a pledge of the faith and credit or taxing power of the City, the State of California or any political subdivision thereof.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the portion of each Base Rental Payment constituting interest with respect to the Certificates and received by the owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax.

4. The portion of each Base Rental Payment constituting interest with respect to the Certificates and received by the owners of the Certificates is also exempt from State of California personal income taxes.

We express no opinion as to the treatment for federal income tax purposes or State of California income tax purposes of amounts paid to owners of the Certificates in the event of termination of the Project Lease as the result of money not being appropriated to pay Base Rental Payments, and we express no opinion as to any other tax consequences regarding the Certificates.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the City.

We express no opinion herein regarding the priority of the lien on moneys held by the Trustee or other funds created by the Trust Agreement. We express no opinion herein with respect to the status or quality of title to, or any interest in, any of the property described in the Project Lease, or the accuracy or sufficiency of the description contained therein of any of that property, or the priority of, or the remedies available to enforce, any claim on or interest in any of that property.

In rendering those opinions with respect to treatment of the portion of each Base Rental Payment constituting interest with respect to the Certificates under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the City. Failure to comply with certain of those covenants subsequent to issuance of the Certificates may cause the portion of each Base Rental Payment constituting interest with respect to the Certificates paid to owners of the Certificates to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the Certificates and the enforceability of the Certificates, the Trust Agreement and the Project Lease are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, and other laws relating to or affecting the rights and remedies of creditors generally; to the application of equitable principles, whether considered in a proceeding at law or in equity; to the exercise of judicial discretion; and to limitations on legal remedies against public entities.

No opinions other than those expressly stated herein are implied or shall be inferred as a result of anything contained in or omitted from this letter. The opinions expressed in this letter are stated only as of the time of its delivery, and we disclaim any obligation to revise or supplement this letter thereafter. Our engagement as co-special counsel in connection with the original issuance and delivery of the Certificates is concluded upon delivery of this letter.

Respectfully submitted,

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APPENDIX G

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY

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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER & TAX COLLECTOR

INVESTMENT POLICY

Effective February 2018

1.0 Policy

It is the policy of the Office of the Treasurer & Tax Collector of the City and County of San Francisco (Treasurer's Office) to invest public funds in a manner which will preserve capital, meet the daily cash flow demands of the City, and provide a market rate of return while conforming to all state and local statutes governing the investment of public funds.

2.0 Scope

This investment policy applies to all funds over which the Treasurer's Office has been granted fiduciary responsibility and direct control for their management.

3.0 Prudence

The standard of prudence to be used by the Treasurer's Office shall be the Prudent Investor Standard as set forth by California Government Code, Section 53600.3 and 27000.3. The Section reads as follows: The Prudent Investor Standard states that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Treasurer's Office, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Treasurer's Office.

This standard of prudence shall be applied in the context of managing those investments that fall under the Treasurer's direct control. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 Objective

The primary objectives, in priority order, of the Treasurer's Office's investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the Treasurer's Office shall be undertaken in a manner that seeks to ensure the preservation of capital. To attain this objective, the Treasurer's Office will diversify its investments.

4.2 Liquidity: The Treasurer's Office investment portfolio will remain sufficiently liquid to enable the Treasurer's Office to meet cash flow needs which might be reasonably anticipated.

4.3 Return on Investments: The portfolio shall be designed with the objective of generating a market rate of return without undue compromise of the first two objectives.

5.0 Delegation of Authority

The Treasurer of the City and County of San Francisco (Treasurer) is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4, Article 1. The Treasurer shall submit any modification to this Investment Policy to the Treasury Oversight Committee members within five (5) working days of the adoption of the change.

6.0 Authorized Broker/Dealer Firms

The City seeks to employ a fair and unbiased broker-dealer selection process, which culminates in an array of medium to large-sized firms that provide the best investment opportunities and service to the City.

The Treasurer's Office will evaluate and classify broker-dealers based on the qualifications of the firm and firm's assigned individual. Approved broker-dealers will be evaluated and may be classified into one of the following categories:

FULL ACCESS – Broker-dealers will have significant opportunity to present investment ideas to the investment team.

LIMITED ACCESS – Broker-dealers will have limited opportunity to present investment ideas to the investment team.

All others may apply for Provisional status appointment. Provisional appointments will be made for:

(1) Applicants who have changed firms;
(2) Applicants (firm and individual) who were not approved by the Treasurer's Office in the past year; and
(3) Broker-dealers who have been classified as Limited Access, but are seeking Full Access status.

Broker-dealers, who are granted Provisional status, will be treated as Full Access firms for a limited time period of up to six months. During the Provisional status period, the investment team will evaluate the applicant and provide a determination of status (Full Access, Limited Access or Not Approved). Broker-dealers may reapply for Provisional status every two years. A limited number of broker-dealers will be granted Provisional status concurrently.

All broker-dealers are encouraged to apply for consideration. All applicants will be evaluated and classified based on the qualifications of the firm and the firm's assigned individual. A score will be assigned to each applicant and will serve as the sole determinant for Full Access, Limited Access, or Not-Approved status.

All approved broker-dealers will be re-assessed annually. During the reassessment period, broker-dealers will be sent the City's most recent Investment Policy and are expected to respond with a policy acknowledgement letter, updated profile information and a completed questionnaire.

All securities shall be purchased and sold in a competitive environment.

The Treasurer's Office will not do business with a firm which has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained

in Rule G-37 of the Municipal Securities Rulemaking Board, to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices.

7.0 Authorized & Suitable Investments

Investments will be made pursuant to the California Government Code (including Section 53601 et seq.) and this investment policy to ensure sufficient liquidity to meet all anticipated disbursements.

Unless otherwise noted, the maximum maturity from the trade settlement date can be no longer than five years.

Types of investment vehicles not authorized by this investment policy are prohibited.

In an effort to limit credit exposure, the Treasurer's Office will maintain Eligible Issuer, Eligible Counterparty and Eligible Money Market lists for security types where appropriate. These lists are intended to guide investment decisions. Investments, at time of purchase, are limited solely to issuers, counterparties and money market funds listed; however, investment staff may choose to implement further restrictions at any time.

The Treasurer's Office shall establish a Credit Committee comprised of the Treasurer, Chief Assistant Treasurer, Chief Investment Officer and additional investment personnel at the Treasurer's discretion. The Committee shall review and approve all eligible issuers and counterparties prior to inclusion on the aforementioned Eligible Issuer and Eligible Counterparty lists. The Committee shall also be charged with determining the collateral securing the City's repurchase agreements.

In the event of a downgrade of the issuer's credit rating below the stated requirements herein, the Credit Committee shall convene and determine the appropriate action.

In addition, the Treasurer's Office shall conduct an independent credit review, or shall cause an independent credit review to be conducted, of the collateralized CD issuers to determine the creditworthiness of the financial institution. The credit review shall include an evaluation of the issuer's financial strength, experience, and capitalization, including, but not limited to leverage and capital ratios relative to benchmark and regulatory standards (See Section 7.4). The following policy shall govern unless a variance is specifically authorized by the Treasurer and reviewed by the Treasury Oversight Committee pursuant to Section 5.0.

7.1 U.S. Treasuries

United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
100% of the portfolio value	100%	100%	5 years

7.2 Federal Agencies

Federal agency or United States government-sponsored enterprise obligations, participations, or other

instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
100% of the portfolio value	100%	100%	5 years

7.3 State and Local Government Agency Obligations

The Treasurer's Office may purchase bonds, notes, warrants, or other evidences of indebtedness of any local or State agency within the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or State, or by a department, board, agency, or authority of the local agency or State.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
20% of the portfolio value	5%	No Limit	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO (Nationally Recognized Statistical Rating Organization). This limitation applies to all local and State agencies within the 50 United States with the exception of the State of California.

7.4 Public Time Deposits (Term Certificates of Deposit)

The Treasurer's Office may invest in either:

1. Non-negotiable time deposits (Certificates of Deposit or CDs) that have FDIC or similar deposit insurance; or

2. Fully collateralized CDs in approved financial institutions.

The Treasurer's Office will invest in CDs and Time Deposits only with those firms having at least one branch office within the boundaries of the City and County of San Francisco. As required by Government Code Section 53649, the Treasurer's Office shall have a signed agreement with any depository accepting City funds.

For Public Time Deposits not employing deposit insurance (such as FDIC), the Treasurer's Office is authorized to accept two forms of collateral:

A. Deposit Collateral. Collateralized CDs are required to be fully collateralized with 110% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i). The Treasurer's Office, at its discretion, may waive the collateralization requirements for any portion that is covered by deposit insurance.

B. Letters of Credit Issued by the Federal Home Loan Bank of San Francisco. As authorized by Section 53651 (p) of the California Government Code, the Treasurer's Office may be accepted as collateral and shall conform to the requirements of Section 53651.6 of the California Government Coded include the following terms:

> (1) The Administrator, as defined by Section 53630 (g) of the California Government Code, shall be the beneficiary of the letter of credit; and
>
> (2) The letter of credit shall be clean and irrevocable, and shall provide that the Administrator may draw upon it up to the total amount in the event of the failure of the depository savings association or federal association or if the depository savings association or federal association refuses to permit the withdrawal of funds by a treasurer.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
No Limit	None	N/A	13 months

Issuer Minimum Credit Rating (applies to collateralized CDs only): Maintenance of the minimum standards for "well-capitalized" status as established by the Federal Reserve Board. The current standards are as follows:

- Tier 1 risk-based capital ratio of 8% or greater
- Combined Tier 1 and Tier 2 capital ratio of 10% or greater
- Leverage ratio of 5% or greater

Failure to maintain minimum standards may result in early termination, subject to the discretion of the Treasurer's Office.

7.5 Negotiable Certificates of Deposit / Yankee Certificates Of Deposit

Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Yankee certificates of deposit are negotiable instruments that are issued by a branch of a foreign bank.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
30% of the portfolio value	No Limit	N/A	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

7.6 Bankers Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers'

acceptances.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
40% of the portfolio value	30%	No Limit	180 days

Issuer Minimum Credit Rating: None

7.7 Commercial Paper

Obligations issued by a corporation or bank to finance short-term credit needs, such as accounts receivable and inventory, which may be unsecured or secured by pledged assets.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
25% of the portfolio value	10%	None	270 days

Issuer Minimum Credit Rating: Issuers must possess a short-term credit rating of the highest ranking (irrespective of +/-) from at least one NRSRO.

7.8 Medium Term Notes

Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state, and operating within the U.S.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
25% of the portfolio value	10%	5%	24 months

Issuer Minimum Credit Rating: Issuers must possess either a short-term rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

7.9 Repurchase Agreements

To the extent that the Treasurer's Office utilizes this investment vehicle, said collateral shall be delivered to a third-party custodian, so that recognition of ownership of the City and County of San Francisco is perfected.

Type of collateral	Allocation Maximum	Issuer Limit Maximum	Maturity/Term Maximum
Government securities	No Limit	N/A	1 year
Securities permitted by CA Government Code, Sections 53601 and 53635	10%	N/A	1 year

7.10 Reverse Repurchase and Securities Lending Agreements

This procedure shall be limited to occasions when the cost effectiveness dictates execution, specifically to satisfy cash flow needs or when the collateral will secure a special rate. A reverse repurchase agreement shall not exceed 45 days; the amount of the agreement shall not exceed $75MM; and the offsetting purchase shall have a maturity not to exceed the term of the repo.

7.11 Money Market Funds

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.).

Fund Type	Allocation Maximum	Issuer Limit Maximum	Percentage of Fund's Net Assets Maximum	Maturity/Term Maximum
Institutional Government	20% of total Pool assets	N/A	5%	N/A

Issuer Minimum Credit Rating: Fund must be rated in the highest rating category from not less than two NRSROs .

7.12 Local Agency Investment Fund (LAIF)

Investments in LAIF, a California state investment fund available to California municipalities, are authorized.

7.13 Supranationals*

United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by:

- International Bank for Reconstruction and Development,
- International Finance Corporation, or
- Inter-American Development Bank,

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
30%	None	None	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term credit rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

* Effective as of January 1, 2015, as consistent with State Law.

8.0 Interest and Expense Allocations

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets, managing and accounting for the banking; receiving and remitting deposits; oversight controls; and indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated and charged to the Pooled Investment Fund on a quarterly basis, with the exception of San Francisco International Airport costs which are charged directly through a work order.

The San Francisco Controller allocates the net interest earnings of the Pooled Investment Fund. The earnings are allocated monthly based on average balances.

9.0 Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer's Office shall be conducted on a delivery-versus-payment (DVP) basis pursuant to approved custodial safekeeping agreements. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

10.0 Deposit and Withdrawal of Funds

California Government Code Section 53684 et seq. provides criteria for outside local agencies, where the Treasurer does not serve as the agency's treasurer, to invest in the County's Pooled Investment Fund, subject to the consent of the Treasurer. Currently, no government agency outside the geographical boundaries of the City and County of San Francisco shall have money invested in City pooled funds.

The Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the San Francisco Controller. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the Treasurer. In accordance with California Government Code Sections 27136 et seq. and 27133(h) et seq., such requests for withdrawals must first be made in writing to the Treasurer. These requests are subject to the Treasurer's consideration for the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Pooled Investment Fund. Any withdrawal for such purposes shall be at the value shown on the Controller's books as of the date of withdrawal.

11.0 Limits on Receipt of Honoraria, Gifts and Gratuities

In accordance with California Government Code Section 27133(d) et seq., this Investment Policy hereby establishes limits for the Treasurer, individuals responsible for management of the portfolios, and members of the Treasury Oversight Committee on the receipt of honoraria, gifts and gratuities from advisors, brokers, dealers, bankers or others persons with whom the Treasurer conducts business. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of those limits must report the gifts, dates and firms to the Treasurer and complete the appropriate State disclosure.

These limits may be in addition to the limits set by a committee member's own agency, by state law, or by the California Fair Political Practices Commission. Members of the Treasury Oversight Committee also must abide by the following sections of the Treasurer's Office Statement of Incompatible Activities: Section III(A)(l)(a), (b) and (c) entitled "Activities that Conflict with Official Duties," and Section III(C) entitled "Advance Written Determination".

12.0 Reporting

In accordance with the provisions of California Government Code Section 53646, which states that the Treasurer may render a quarterly report or a monthly report on the status of the investment portfolio to the Board of Supervisors, Controller and Mayor; the Treasurer regularly submits a monthly report. The report includes the investment types, issuer, maturity date, par value, and dollar amount invested; market value as of the date of the report and the source of the valuation; a statement of compliance with the investment policy or an explanation for non-compliance; and a statement of the ability or inability to meet expenditure requirements for six months, as well as an explanation of why moneys will not be available if that is the case.

13.0 Social Responsibility

In addition to and subordinate to the objectives set forth in Section 4.0 herein, investment of funds should be guided by the following socially responsible investment goals when investing in corporate securities and depository institutions. Investments shall be made in compliance with the forgoing socially responsible investment goals to the extent that such investments achieve substantially equivalent safety, liquidity and yield compared to investments permitted by state law.

13.1 Social and Environmental Concerns

Investments are encouraged in entities that support community well-being through safe and environmentally sound practices and fair labor practices. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability or sexual orientation. Investments are discouraged

in entities that manufacture tobacco products, firearms, or nuclear weapons. In addition, investments are encouraged in entities that offer banking products to serve all members of the local community, and investments are discouraged in entities that finance high-cost check-cashing, deferred deposit (payday-lending) businesses and organizations involved in financing, either directly or indirectly, the Dakota Access Pipeline or, as determined by the Treasurer, similar pipeline projects. Prior to making investments, the Treasurer's Office will verify an entity's support of the socially responsible goals listed above through direct contact or through the use of a third party such as the Investors Responsibility Research Center, or a similar ratings service. The entity will be evaluated at the time of purchase of the securities.

13.2 Community Investments

Investments are encouraged in entities that promote community economic development. Investments are encouraged in entities that have a demonstrated involvement in the development or rehabilitation of low income affordable housing, and have a demonstrated commitment to reducing predatory mortgage lending and increasing the responsible servicing of mortgage loans. Securities investments are encouraged in financial institutions that have a Community Reinvestment Act (CRA) rating of either Satisfactory or Outstanding, as well as financial institutions that are designated as a Community Development Financial Institution (CDFI) by the United States Treasury Department, or otherwise demonstrate commitment to community economic development.

13.3 City Ordinances

All depository institutions are to be advised of applicable City contracting ordinances, and shall certify their compliance therewith, if required.

14.0 Treasury Oversight Committee

A Treasury Oversight Committee was established by the San Francisco Board of Supervisors in Ordinance No. 316-00. The duties of the Committee shall be the following:

(a) Review and monitor the investment policy described in California Government Code Section 27133 and prepared annually by the Treasurer.

(b) Cause an annual audit to be conducted to determine the Treasurer's compliance with California Government Code Article 6 including Sections 27130 through 27137 and City Administrative Code Section 10.80-1. The audit may examine the structure of the investment portfolio and risk. This audit may be a part of the County Controller's usual audit of the Treasurer's Office by internal audit staff or the outside audit firm reviewing the Controller's Annual Report.

(c) Nothing herein shall be construed to allow the Committee to direct individual decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the Treasurer. (See California Government Code, Section 27137.)

APPENDIX

Glossary

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASK/OFFER: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The CAFR is the City's official annual financial report. It consists of three major sections: introductory, financial, and statistical. The introductory section furnishes general information on the City's structure, services, and environment. The financial section contains all basic financial statements and required supplementary information, as well as information on all individual funds and discretely presented component units not reported separately in the basic financial statements. The financial section may also include supplementary information not required by GAAP. The statistical section provides trend data and nonfinancial data useful in interpreting the basic financial statements and is especially important for evaluating economic condition.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DEPOSITORY INSTITUTIONS: These institutions hold City and County moneys in the forms of certificates of deposit (negotiable or term), public time deposits and public demand accounts.

DERIVATIVES: (l) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FDIC DEPOSIT INSURANCE COVERAGE: The FDIC is an independent agency of the United States government that protects against the loss of insured deposits if an FDIC-insured bank or savings association fails. Deposit insurance is backed by the full faith and credit of the United States government. Since the FDIC was established, no depositor has ever lost a single penny of FDIC-insured funds. FDIC insurance covers funds in deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit (CDs). FDIC insurance does not, however, cover other financial products and services that insured banks may offer, such as stocks, bonds, mutual fund shares, life insurance policies, annuities or municipal securities. There is no need for depositors to apply for FDIC insurance or even to request it. Coverage is automatic. To ensure funds are fully protected, depositors should understand their deposit insurance coverage limits. The FDIC provides separate insurance coverage for deposits held in different ownership categories such as single accounts, joint accounts, Individual Retirement Accounts (IRAs) and trust accounts.
Basic FDIC Deposit Insurance Coverage Limits*
Single Accounts (owned by one person) $250,000 per owner
Joint Accounts (two or more persons) $250,000 per co-owner
IRAs and certain other retirement accounts $250,000 per owner
Trust Accounts $250,000 per owner per beneficiary subject to specific limitations and requirements**
*The financial reform bill, officially named the Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010, made the $250,000 FDIC coverage limit permanent.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL FUNDS RATE: The rate of interest that depository institutions lend monies overnight to other depository institutions. Also referred to as the overnight lending rate.This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single

provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): Freddie Mac's mission is to provide liquidity, stability and affordability to the housing market. Congress defined this mission in (their) 1970 charter. Freddie Mac buys mortgage loans from banks, thrifts and other financial intermediaries, and re-sells these loans to investors, or keeps them for their own portfolio, profiting from the difference between their funding costs and the yield generated by the mortgages.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

GOVERNMENT SECURITIES: Obligations of the U.S. Government and its agencies and instrumentalities.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

NRSRO: Nationally Recognized Statistical Rating Organization; Credit rating agencies that are registered with the SEC. Such agencies provide an opinion on the creditworthiness of an entity and the financial obligations issued by an entity.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The principal amount of a bond returned by the maturity date.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

PUBLIC TIME DEPOSITS (Term Certificates Of Deposit): Time deposits are issued by depository institutions against funds deposited for a specified length of time. Time deposits include instruments such as deposit notes. They are distinct from certificates of deposit (CDs) in that interest payments on time deposits are calculated in a manner similar to that of corporate bonds whereas interest payments on CDs are calculated similar to that of money market instruments.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE l5(C))3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

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