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, 2014. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2012-13 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2013-14 basic financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its deferred inflows and liabilities at the end of the fiscal year by approximately $8.36 billion (net position). Of this balance, $7.03 billion represents the City’s net investment in capital assets, $1.26 billion represents restricted net position, and $67.8 million is unrestricted net position. The City’s total net position increased by $957.4 million or 12.9 percent over the previous fiscal year. Of this amount, total net investment in capital assets, restricted net position and unrestricted net position increased by $382.7 million or 5.8 percent, $299.4 million or 31.2 percent and $275.3 million or 132.6 percent, respectively.

The City’s governmental funds reported total revenues of $4.91 billion, a $413.1 million or 9.2 percent increase over the prior year. Within this, revenues from property taxes, other local taxes, business taxes, sales and use tax, hotel room tax, intergovernmental grants and charges for services grew by approximately $95.5 million, $31.8 million, $83.3 million, $19.6 million, $71.3 million, $38.8 million and $37.8 million, respectively. At the same time, there was a decline in revenues from utility users tax, fines, forfeitures and penalties, and rents and concessions for a total of $34.5 million. Governmental funds expenditures totaled $4.58 billion for this period, a $228.1 million or 5.2 percent increase, reflecting increases in demand for governmental services of $143.4 million and capital outlay of $38.7 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to $1.94 billion, an increase of $268.4 million or 16.1 percent from prior year, primarily due to a strong growth in most revenues over a moderate increase of expenditure and other financing uses this year over last year.

The City’s total long-term debt, including all bonds, loans, commercial paper and capital leases increased by $411.0 million during this fiscal year. The City issued a total of $862.9 million in bonds, certificates of participation and loans this year. Of this amount, a total of $210.0 million in general obligation bonds were issued to fund the San Francisco General Hospital rebuild projects. The City also issued $47.2 million refunding certificates of participation for economic savings and borrowed $8.7 million for the renovation of the City’s west harbor marina. The San Francisco International Airport issued a total of $461.1 million refunding revenue bonds to finance the construction cost of Terminal 3 East improvements, the renovation of Boarding Area E, and other projects in the Airport’s five-year Capital Plan. The SFMTA issued $75.4 million of revenue bonds to finance its various transit and parking projects. The Port Commission issued $22.7 million revenue bonds to finance capital projects to various Port facilities and $37.7 million of Certificates of Participation, of which $27.2 million was used to repay commercial paper. The Airport issued an additional $249.4 million in commercial paper notes to finance capital improvement projects. The balance of commercial paper issued to fund new capital projects or to refinance matured commercial paper also increased by $54.7 million this year. Of this increase, $80.5 million represented business-type activities while net decreases of $25.8 million represented governmental activities.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities, as of July 1, 2013. The City restated the July 1, 2013 net position to write off unamortized bond issuance costs previously reported as assets. In the government-wide statements, the City reclassified unamortized losses on refunding of debt and unamortized gains on refunding of debt as deferred outflows of resources and deferred inflows of resources, respectively. The City also reclassified amounts related to the SFMTA’s Breda leaseback transaction as a deferred inflow of resources, which were previously reported as liabilities. The total impact of this change was a $92.2 million reduction in the beginning net position.
The Rim Fire, the third largest in California history, began on August 17, 2013 and burned over 257,135 acres. The City recorded an extraordinary loss of $6.8 million, net of impairment loss and insurance recovery, in the Hetch Hetchy Water and Power Enterprise Fund.

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.
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.

<table>
<thead>
<tr>
<th>Government - wide Statements</th>
<th>Fund Financial Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Governmental</td>
</tr>
<tr>
<td>Scope</td>
<td>Entire entity (except fiduciary funds)</td>
</tr>
<tr>
<td>Accounting basis and measurement focus</td>
<td>Accrual accounting and economic resources focus</td>
</tr>
<tr>
<td>Type of balance information</td>
<td>All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term</td>
</tr>
<tr>
<td>Type of inflow and outflow information</td>
<td>All inflows and outflows during year, regardless of when cash is received or paid</td>
</tr>
</tbody>
</table>

**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 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 as a Fiduciary component unit of the City.

**Fund Financial Statements**

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

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

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

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

The City, for the first time, adopted a rolling two year budget in July 2012, which appropriated budget for its General Fund for fiscal year 2013-14. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.
Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), San Francisco Water Enterprise (Water), Hetch Hetchy Water and Power (Hetch Hetchy), San Francisco Municipal Transportation Agency (SFMTA), San Francisco General Hospital Medical Center (SFGH), San Francisco Wastewater Enterprise (Wastewater), Port of San Francisco (Port), and the Laguna Honda Hospital (LHH), all of which are considered to be major funds of the City.

- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, management information and telecommunication services, printing and mail services, and for lease-purchases of equipment by the San Francisco Finance Corporation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City employees' pension and health plans, retirees' health care, the Successor Agency to the San Francisco Redevelopment 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 progress in funding its obligation to provide pension and other postemployment benefits to its employees and the City’s schedule of contributions for its employees' other postemployment benefits.

Combining Statements and Schedules

The combining statements and schedules referred to earlier in connection with non-major governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and other postemployment benefits.
Government-Wide Financial Analysis

<table>
<thead>
<tr>
<th>Net Position</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Current and other assets</td>
<td>3,327,511</td>
</tr>
<tr>
<td>Capital assets</td>
<td>4,462,714</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>7,790,225</td>
</tr>
</tbody>
</table>

| Liabilities: |                |
| Current liabilities | 1,391,609 | 1,333,315 | 1,884,942 | 2,032,078 | 3,276,551 | 3,365,393 |
| Noncurrent liabilities | 4,068,411 | 3,957,610 | 10,934,203 | 10,240,045 | 15,002,614 | 14,197,655 |
| **Total liabilities** | 5,460,020 | 5,290,925 | 12,819,145 | 12,272,123 | 18,279,165 | 17,563,048 |

| Deferred outflows of resources | 11,701 | 13,628 | 176,314 | 194,204 | 188,015 | 207,832 |

| Deferred inflows of resources | 275 | - | 17,737 | 24,307 | 18,012 | 24,307 |

| Net position: |                |
| Net investment in capital assets | 2,483,086 | 2,274,460 | 4,832,659 | 4,650,574 | 7,032,674 | 6,649,991 |
| Restricted | 862,706 | 686,191 | 452,465 | 371,958 | 1,259,065 | 959,707 |
| Unrestricted (deficit) | (1,004,161) | (1,166,762) | 732,736 | 585,688 | 67,752 | (207,589) |
| **Total net position** | $2,341,631 | $1,793,889 | $6,017,860 | $5,608,220 | $8,359,491 | $7,402,109 |

* See note 2(k) to the basic financial statements.

**Analysis of Net Position**

The City’s total net position, which may serve as a useful indicator of the government’s financial position, was $8.36 billion at the end of fiscal year 2013-14, a 12.9 percent increase over the prior year. The City’s governmental activities account for $2.34 billion of this total and $6.02 billion stem from its business-type activities.

The largest portion of the City’s net position is the 84.1 percent or $7.03 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a $382.7 million or 5.8 percent increase over the prior year, and is due to the growth seen in the governmental activities and increases in all business-type activities, except Laguna Honda Hospital. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City’s net position is the $1.26 billion or 15.1 percent that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is an unrestricted position of $67.8 million which consists of a $1.00 billion deficit in governmental activities offset by a positive $732.7 million unrestricted position for the business-type activities. The governmental activities deficit is largely due to transfers to business type activities, recognition of other postemployment benefit expenses, and the $339.2 million in long-term bonds liabilities that fund the Laguna Honda Hospital rebuilt project, certain park facilities projects at the Port, improvement projects for reliable emergency water supply for the Water Enterprise, and road paving and street safety in SFMTA (see Note 2(k)).
### Changes in Net Position

#### (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Governmental activities</th>
<th>Business-type activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>(restated)</td>
<td>2013</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$568,528</td>
<td>$517,660</td>
<td>$3,102,934</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>$1,142,094</td>
<td>$1,086,154</td>
<td>$190,351</td>
</tr>
<tr>
<td>Capital grants and contributions</td>
<td>$39,379</td>
<td>$29,718</td>
<td>$515,445</td>
</tr>
<tr>
<td><strong>General revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>$1,521,471</td>
<td>$1,415,068</td>
<td>-</td>
</tr>
<tr>
<td>Business taxes</td>
<td>$563,406</td>
<td>$480,131</td>
<td>-</td>
</tr>
<tr>
<td>Sales and use tax</td>
<td>$227,636</td>
<td>$208,025</td>
<td>-</td>
</tr>
<tr>
<td>Hotel room tax</td>
<td>$310,052</td>
<td>$238,782</td>
<td>-</td>
</tr>
<tr>
<td>Utility users tax</td>
<td>$86,810</td>
<td>$91,871</td>
<td>-</td>
</tr>
<tr>
<td>Other local taxes</td>
<td>$391,638</td>
<td>$359,808</td>
<td>-</td>
</tr>
<tr>
<td>Interest and investment income</td>
<td>$21,887</td>
<td>$7,862</td>
<td>$29,843</td>
</tr>
<tr>
<td>Other</td>
<td>$70,024</td>
<td>$52,865</td>
<td>$82,737</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$4,942,925</td>
<td>$4,487,944</td>
<td>$3,921,310</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public protection</td>
<td>$1,229,591</td>
<td>$1,236,922</td>
<td>-</td>
</tr>
<tr>
<td>Public works, transport and commerce</td>
<td>$200,712</td>
<td>$189,124</td>
<td>-</td>
</tr>
<tr>
<td>Human welfare and neighborhood development</td>
<td>$1,009,190</td>
<td>$946,562</td>
<td>-</td>
</tr>
<tr>
<td>Community health</td>
<td>$786,761</td>
<td>$751,491</td>
<td>-</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>$357,620</td>
<td>$338,042</td>
<td>-</td>
</tr>
<tr>
<td>General administration and finance</td>
<td>$298,563</td>
<td>$249,271</td>
<td>-</td>
</tr>
<tr>
<td>General City responsibilities</td>
<td>$85,239</td>
<td>$83,895</td>
<td>-</td>
</tr>
<tr>
<td>Unallocated interest on long-term debt</td>
<td>$115,880</td>
<td>$109,094</td>
<td>-</td>
</tr>
<tr>
<td>Airport</td>
<td>-</td>
<td>-</td>
<td>$827,658</td>
</tr>
<tr>
<td>Transportation</td>
<td>-</td>
<td>-</td>
<td>$1,037,368</td>
</tr>
<tr>
<td>Port</td>
<td>-</td>
<td>-</td>
<td>$88,551</td>
</tr>
<tr>
<td>Water</td>
<td>-</td>
<td>-</td>
<td>$470,200</td>
</tr>
<tr>
<td>Power</td>
<td>-</td>
<td>-</td>
<td>$137,639</td>
</tr>
<tr>
<td>Hospitals</td>
<td>-</td>
<td>-</td>
<td>$1,011,452</td>
</tr>
<tr>
<td>Sewer</td>
<td>-</td>
<td>-</td>
<td>$243,466</td>
</tr>
<tr>
<td>Market</td>
<td>-</td>
<td>-</td>
<td>$120</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$4,083,556</td>
<td>$3,904,401</td>
<td>$3,816,454</td>
</tr>
<tr>
<td><strong>Increase/(decrease) in net position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>before transfers and extraordinary items</td>
<td>$859,369</td>
<td>$583,543</td>
<td>$104,856</td>
</tr>
<tr>
<td>Transfers</td>
<td>$(311,627)</td>
<td>$(483,028)</td>
<td>$(311,627)</td>
</tr>
<tr>
<td>Extraordinary loss</td>
<td>-</td>
<td>-</td>
<td>$(6,843)</td>
</tr>
<tr>
<td><strong>Change in net position</strong></td>
<td>$547,742</td>
<td>$(101,155)</td>
<td>$409,640</td>
</tr>
<tr>
<td><strong>Net position at beginning of year, as restated</strong></td>
<td>$1,793,889</td>
<td>$1,895,044</td>
<td>$5,608,220</td>
</tr>
<tr>
<td><strong>Net position at end of year</strong></td>
<td>$2,341,631</td>
<td>$1,793,889</td>
<td>$5,608,220</td>
</tr>
</tbody>
</table>

### Analysis of Changes in Net Position

The City’s total net position increased by $957.4 million in fiscal year 2013-14, a 12.9 percent increase over the prior fiscal year, as noted above. This was the fourth consecutive year of improvement overall, and combines increases of $547.7 million from governmental activities and $409.6 million from business type activities.

Among the City’s business-type activities, SFMTA, General Hospital, Wastewater and the Port all contributed to this growth while the Airport, Water, Hetch Hetchy, Laguna Honda Hospital, and the Market Corporation did not. A discussion of this change is presented in the business-type activities section below.

The City’s governmental activities experienced a $455.0 million or 10.1 percent growth in total revenues. This included increases in nearly all of the general city revenues: $55.9 million in operating grants and...
contributions, $106.4 million in property taxes, $50.9 million in charges for services, $71.3 million in hotel room tax, and $83.3 million in business taxes. Sales and use tax and other local taxes also had a combined growth of $51.4 million. These improvements were partly offset by a decline in utility users tax of $5.1 million. The City's governmental activities expenses reported an increase of $179.2 million or 4.6 percent this fiscal year. The net transfer to business-type activities decreased by $171.4 million, a 35.5 percent improvement over the prior year. In addition, there was a one-time extraordinary loss in the prior fiscal year of $201.7 million related to the dissolution of the former Redevelopment Agency. A discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.
Governmental activities. Governmental activities increased the City’s total net position by approximately $547.7 million. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were $4.94 billion, a $455.0 million or 10.1 percent increase over the prior year. For the same period, expenses totaled $4.08 billion before transfers of $311.6 million, resulting in a total net position increase of $547.7 million by June 30, 2014.

Property tax revenues increased by $106.4 million or 7.5 percent. This growth was due in large part to higher assessed values of secured real property in San Francisco, and also due to property tax in-lieu of vehicle license fee revenues tied to the year-over-year increase of the aggregate secured roll assessed value to recent tax rate increases. Further, revenues increased from property tax in-lieu of sales and use tax (also referred to as the triple-flip) tied to actual sales and use taxes. An increase in real property transfer tax by $29.2 million made up the majority of the growth in other local taxes of $31.8 million.

Revenues from business and sales and use taxes totaled approximately $791.0 million, a growth of $102.9 million over the prior year. Business taxes grew by $83.3 million due to an increase in payroll tax revenue resulting from a 5.2 percent increase in employment and a 2.6 percent increase in average weekly wages in San Francisco. Increased business registration fee levels and gross receipts tax collection, due to Proposition E passed in November 2012, also significantly contributed to the growth in business taxes. Sales and use tax increased by $19.6 million, reflecting strong sales growth across virtually every economic segment, with particularly strong performance in retail and food establishments such as restaurants, apparel stores, department stores, and food markets.

Hotel room tax revenues grew by $71.3 million, or 29.8 percent, due to strong demand from all segments of the market (tourist, convention, and business) while no additions to inventory led to increased occupancy and the average daily room rate. In addition, there was a decline in the amount of hotel room tax revenue that was deferred in fiscal year 2013-14, as compared to the amount deferred in fiscal year 2012-13.

Operating grants and contributions increased $55.9 million. This was largely due to the increases from state sources, including $42.4 million for human welfare programs, $25.2 million for general city responsibilities related to SB90 state funding for various programs, $6.1 million for public works programs, and $4.3 million for public protection. These were offset primarily by a decrease of $25.8 million in community health program grants.

Total charges for services increased $50.9 million, or 9.8 percent, and other revenues increased $17.2 million. The increase in total charges for services is driven by increased fee revenues across various departments, partially due to improved economic conditions and expansion in construction activity. The more significant increases are discussed below. The Department of Building Inspection’s permit revenue increased $9.5 million due to an increase in construction permits and project completion. Fire Department charges for services increased by $6.8 million due to ambulance billing recoveries, as well as plan check and inspection fees consistent with the expansion in construction activity. The Department of Public Works’ street space permit revenue and solid waste impound fees increased by $6.2 million, in addition to $9.1 million more in revenues from its expedited condo conversion program. The Planning Department’s revenues grew by more than $1.6 million from increased building permits, environmental reviews, and other planning fees. Additional special events, as well as increased recreational service charge fees resulting from improved programming opportunities and implementation of a demand responsive program delivery model improved fee revenues by $1.0 million for the Recreation and Park Department. In addition, the Department of Public Health’s patient charges increased by $7.7 million. These increases were partially offset by a reduction of $2.5 million in cost allocation revenues stemming from a change in allocation methodology and a decrease in Human Services Agency revenue of $1.9 million reflecting the loss of one-time waiver refunds. The increase in other revenues is related to developer exactions, which are requirements placed on developers as conditions of receiving municipal approval, for a new development and construction project.
Interest and investment income revenue increased by $14.0 million, or 178.4 percent, primarily due to the large unrealized gain compared to the prior year’s unrealized loss from the City’s pooled investments, which is the difference between the fair value and the book value of the City’s investments. The increase in revenues was partially offset by a reduction in the interest rate on the City’s pooled investments from 0.95 percent in the prior year to 0.74 percent in the current year.

Net transfers from the governmental activities to business-type activities were $311.6 million, a 35.5 percent or $171.4 million decrease from the prior year. This was mainly due to one-time transfers in the prior year, such as $71.9 million in transfers of various general obligation bond series proceeds to the Water Enterprise, $11.0 million in bond proceeds transferred to SFMTA Parking and Traffic, and $18.2 million in bond proceeds for Port projects.

The moderate increase of total governmental expenses of $179.2 million, or 4.6 percent, was primarily due to increased demand for the government’s services in almost all functional services by $186.5 million, which was partly offset by the decrease of expenses in public protection by $7.3 million.
Business-type activities increased the City’s net position by $409.6 million and key factors contributing to this increase are:

- The San Francisco International Airport’s net position at fiscal year-end was $266.8 million, a $5.5 million or 2.0 percent decrease over the previous fiscal year. Operating revenues totaled $770.7 million for fiscal year 2013-14, an increase of $44.3 million or 6.1 percent over the prior year and included improvements of $27.3 million, $7.0 million, and $6.8 million in aviation, concession and net sales and services revenues, respectively. For the same period, the Airport’s operating expenses rose by $66.6 million, or 11.8 percent, for a net operating income of $145.0 million for the period. Net non-operating activities saw a deficit of $203.6 million versus $190.6 million deficit in the prior year, a $13.0 million increase. The increases in both operating and non-operating expenses include a rise in depreciation charges and capital asset valuation changes due to change in useful life estimates. Capital contributions, however, improved by $25.1 million due to federal grants for various Airport improvement programs.

- The City’s Water Enterprise, the third largest such entity in California, reported a net position of $654.2 million at the end of fiscal year 2013-14, a $45.4 million or 6.5 percent decrease over the prior year. Revenues totaled $424.1 million, expenses totaled $470.2 million, and the net increase from capital contributions and transfers was $0.7 million. Compared to the prior year, total revenues decreased $337.7 million which included a $344.6 million decrease in water service revenues and a $3.4 million decrease in non-operating revenues. The primary reason for the decrease in water service revenues was due to the one time, early repayment in the prior year of $356.2 million from the Bay Area Water Supply and Conservation Agency (BAWSCA). Within expenses, the enterprise reported a total increase of $18.7 million in fiscal year 2013-14. This included $13.6 million more in depreciation expenses, $11.2 million more in local water conveyance and distribution project expenses, $10.1 million more in claims liability based on actuarial estimate, offset by $12.3 million in net interest expense, and $4.6 million decrease in professional and legal services, lease payment, water assessment fees, and other operational areas.

- Hetch Hetchy Water and Power’s net position was $513.6 million at the end of fiscal year 2013-14, a decrease of $4.6 million or 0.9 percent. This change consisted of a $2.2 million increase from activities offset by an extraordinary loss of $6.8 million sustained in the Rim Fire which began in August 2013 in the Stanislaus National Forest and Yosemite National Park. This enterprise consists of two segments: Hetchy Water upcountry operations and water system which reported a $1.2 million net position increase offset by $2.7 million of the extraordinary loss, and Hetchy Power (also known as the Power Enterprise) which reported $1.0 million net position increase offset by $4.1 million of the loss. Hetchy Water operating revenues decreased by $1.8 million due to a $1.8 million decrease in water assessment fee revenue from the Water Enterprise although interest and investment income increased by $0.8 million. Total expenses increased by a slight $0.2 million. Hetchy Power’s operating revenues increased by $2.3 million due to a $2.3 million increase in power service revenues from City departments from the adopted power rate increase, while interest and investment income also increased by $1.2 million primarily due to the prior year’s unrealized loss compared with the current year’s unrealized gain. On the operating expenses side, Hetchy Power reported an increase of $7.8 million due primarily to a $4.1 million rise in transmission and power costs, $1.7 million in project costs, $1.2 million in purchased electricity and the remaining amount in personnel, depreciation, supply and other expenses.

- The City’s Wastewater Enterprise’s net position was $1.18 billion at the end of fiscal year 2013-14, an increase of $33.1 million or 2.9 percent, over the previous year. Operating revenues increased by $7.5 million due mostly to increased sewer service charges as a result of a one-time effect of transition from bi-monthly to monthly billing effective July 1, 2013. Under non-operating revenues, federal grants decreased by $17.3 million due to reduction in grant revenues for flood management projects. In addition, interest and investment income increased by $1.9 million mainly due to the current year’s unrealized gain in investments. Operating expenses totaled $216.3 million, an $8.1 million increase over the prior year. Within expenses, increases included a $6.1 million rise in sewer improvement project costs, $2.1 million more in depreciation related to building and structures, $1.1 million more in
services of other departments, $2.2 million more in a range of contractual, personnel, and supply expenses offset by a decline in claims liability of $3.4 million.

- The Port of San Francisco’s net position was $371.3 million at the end of fiscal year 2013-14, an $8.7 million or 2.4 percent increase over the prior fiscal year. 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 2013-14, the Port’s rents and concessions revenues increased $4.5 million while parking revenues also increased by $2.0 million. Operating expenses increased $4.4 million over the prior year. This was due in part to a $2.7 million positive variance in pollution remediation estimates, a $4.1 million increase in depreciation and amortization, a $1.9 million decrease in contractual services, a $1.7 million decrease in the cost of services from other departments, and a net increase of $1.3 million in personnel, administrative and other expenses.

- The Municipal Transportation Agency’s (SFMTA) net position was $2.69 billion at the end of fiscal year 2013-14, a $421.6 million or 18.6 percent increase for the year. SFMTA’s total revenues and transfers were $1.45 billion while total expenses including interest expense reached $1.04 billion, increases of $260 million and $8.6 million respectively. Most of the revenue increases are due to $198.3 million more in capital contributions from federal, state and local grant funds for work on a range of capital transportation projects, $16.0 million in net transfers from the City for increased subsidies, and $18.7 million improvement from non-operations including transit impact development fees and interest income. Operating revenue increases included $26.5 million more in other operating revenues from taxi medallion fees, a combined increase of $10.9 million from parking and other fees and charges offset by a $7.3 million decrease in passenger fares. A one-time payment from BART in the prior year for a fare revenue agreement accounted for most of this year’s decrease in the latter. On the expenses side, increases of $22.1 million for personnel, $21.2 million for general and administrative costs, including judgments and claims, were offset in part by decreases of $16.6 million in contractual services and $17.1 million more in other operating expenses for increased cost recovery collections.

- Laguna Honda Hospital (LHH), the City’s skilled nursing care hospital, had a decrease in net position of $11.8 million at the end of fiscal year 2013-14 compared to a decrease of $9.6 million at the end of the previous year, a $2.2 million difference. The LHH’s loss before capital contributions and transfers for the year was $50.9 million versus a loss of $85.7 million the prior year. This change of $34.8 million was largely due to a $25.9 million increase in operating revenues, about $7.4 million increase in expenses, and a $15.3 million increase in non-operating income. This was offset by a $35.9 million decrease in net transfers with the City this fiscal year, leading to the fiscal year 2013-14 additional decrease in net position, compared to last year, of $2.2 million.

- General Hospital, the City’s acute care hospital, ended fiscal year 2013-14 with a net position increase of $25.3 million, compared to a $14.8 million increase the prior year, a $10.5 million positive change. For this year, General Hospital reported $21.2 million in operating income due largely to a $56.9 million operating revenue increase, mostly from net patient services revenues. This was offset by an increase in operating expense of $12.0 million, comprised of an additional $6.8 million in contractual services, $3.6 million more in services of other departments, and $1.6 million more in other operating expenses. Net non-operating income declined by about $4.7 million due to decreases in state grants, and net transfers with the City saw a decrease of $29.7 million this year.
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 2013-14, the City governmental funds reported combined fund balances of $1.94 billion, an increase of $268.4 million or 16.1 percent over the prior year. Of the total fund balances, $559.6 million is assigned and $9.3 million is unassigned. The total of $568.9 million or 29.4 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 $508.9 million. The remainder of the governmental funds fund balances includes $24.5 million nonspendable for items that are not expected to be converted to cash such as inventories and long-term loans, $1.20 billion restricted for programs at various levels and $145.1 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 $583.2 million while total fund balance reached $835.6 million. Combined assigned and unassigned fund balances represent 19.7 percent of total expenditures, while total fund balance represents 28.3 percent of total expenditures. For the year, the General Fund’s total revenues exceeded expenditures by $792.5 million, before transfers and other items of $497.8 million, resulting in total fund balance increasing by $294.7 million. Overall, the significant growth in revenues, particularly in real estate property taxes, business taxes, hotel room taxes, and charges for services were offset by an increased rate of expenditure growth due to growing demand for services and personnel costs across City functions and resulted in an increased fund balance this fiscal year.

**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 2013-14, the unrestricted net position for the proprietary funds was as follows: Airport: $191.0 million, Water Enterprise: $158.9 million, Hetch Hetchy Water and Power: $171.8 million, SFMTA: $254.4 million, Wastewater Enterprise: $91.5 million, and the Port: $42.3 million. In addition, San Francisco General Hospital and Laguna Honda Hospital had deficits in unrestricted net position of $132.8 million and $44.5 million, respectively.

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City’s proprietary funds (in thousands). This shows that the total net position for these funds increased by approximately $409.6 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.
Fiduciary Funds

The City maintains fiduciary funds for the assets of the San Francisco Employees’ Retirement System, Health Service System and Retiree Health Care Trust, and manages the investment of monies held in trust to benefit public service employees. At the end of fiscal year 2013-14, the net position of the Retirement System, Health Services System and Retiree Health Care Trust combined totaled $20.06 billion, representing a $2.94 billion increase over the prior year, and 17.2 percent change. This increase is primarily a result of net appreciation in the fair value of investments. The Private Purpose Trust Fund accounts for the Successor Agency, which had a net deficit of $439.6 million at year’s end. This 6.5 percent, or $30.8 million, decrease in the net deficit is due to increases in developer payments and Redevelopment property tax revenues. The Investment Trust Fund’s net position was $618.6 million at year’s end, and the 88.6 percent increase represents the excess of contributions over distributions to external participants.

General Fund Budgetary Highlights

The City’s final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year.

During the year, actual revenues and other resources were $102.2 million higher than the final budget. The City realized $36.8 million, $36.1 million, $29.9 million, and $24.0 million more revenue than budgeted in real property transfer tax, hotel tax, business taxes, and property taxes, respectively. These increases were partly offset by reductions of $29.3 million, $15.0 million, and $14.8 million in transfers from other funds, Health and Mental Health subventions, and Social Service subventions, respectively.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $82.0 million in expenditure savings. Major factors include:

- $34.7 million in savings from the Department of Public Health due to savings from reduced county participation in intergovernmental transfer programs, and patient census and delays in hiring for vacant positions creating additional salary and fringe savings.
- $23.9 million in savings from the Human Services Agency, due largely to operating savings from changes in state child care rates and allocations, and lower than expected caseload uptake levels.
- $9.9 million in salary and benefit savings mainly in the Fire Department, Adult Probation, Superior Court, Juvenile Probation and other departments in public protection.
- $7.9 million in salary and benefit savings mainly in Treasurer/Tax Collector, Elections, Board of Supervisors, Controller, and other departments in general administration and finance.
- The remaining lower than budgeted expenditures are savings from public works, transportation and commerce, culture and recreation, and general city responsibilities.

The net effect of substantial revenue increases, savings in expenditures and reduction in reserve balances was a budgetary fund balance available for subsequent year appropriation of $294.7 million at the end of fiscal year 2013-14. The City’s fiscal year 2014-15 and 2015-16 Adopted Original Budget assumed an
available balance of $273.0 million fully appropriated in fiscal year 2014-15 and fiscal year 2015-16 leaving $21.7 million available for future appropriations. (See also Note 4 to the Basic Financial Statements for additional fund balance details).

Capital Assets and Debt Administration

Capital Assets

The City’s capital assets for its governmental and business-type activities as of June 30, 2014, increased by $1.57 billion, 9.3 percent, to $18.46 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 $418.1 million or 26.5 percent to this total while $1.16 billion or 73.5 percent was from business-type activities. Details are shown in the table below.

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$274,163</td>
<td>$257,089</td>
<td>$217,518</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,178,392</td>
<td>863,080</td>
<td>3,362,438</td>
</tr>
<tr>
<td>Facilities and improvements</td>
<td>2,326,314</td>
<td>2,354,846</td>
<td>8,708,923</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>62,392</td>
<td>54,532</td>
<td>896,508</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>575,746</td>
<td>471,431</td>
<td>739,728</td>
</tr>
<tr>
<td>Intangible asset</td>
<td>45,707</td>
<td>43,670</td>
<td>72,374</td>
</tr>
<tr>
<td>Total</td>
<td>$4,462,714</td>
<td>$4,044,648</td>
<td>$13,997,489</td>
</tr>
</tbody>
</table>

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

- Under governmental activities, net capital assets increased by $418.1 million mainly due to the increase in construction in progress and completed assets at various park and recreational sites, branch libraries, various street improvement and traffic signal upgrades. About $178.4 million worth of construction in progress work was substantially completed and capitalized as facilities and improvement and infrastructure. Of the completed projects, about $12.2 million is public library improvements and approximately $33.5 million is for various parks and recreation centers such as Cayuga Playground, Lafayette Park, Cabrillo Playground and various park improvement projects. The remaining completed projects include public works, intangible assets, and traffic signal projects.

- The Water Enterprise’s net capital assets totaled $4.33 billion at the end of fiscal year 2013-14, an increase of $468.6 million for the year. Facilities, improvements, machinery and equipment for the Crystal Springs Pump Station and Sunol Valley Water Treatment Plan Expansion projects accounted for close to $330.6 million of this increase, while $136.6 million was due primarily to the construction work in progress on the Calaveras Dam Replacement and Irvington Tunnel Alternatives projects. These and other projects are part of the enterprise’s multi-year Water System Improvement Program (WSIP), a capital program to upgrade the City’s regional and local drinking water systems. As of June 30, 2014, this massive project is considered 81 percent completed, and consists of 35 local projects in the City itself and 48 regional projects spread over seven counties ranging from the Sierra foothills to San Francisco.

- SFMTA’s net capital assets were $2.54 billion at the end of fiscal year 2013-14, an increase of $349.4 million for the year. Of this, $340.3 million is for construction in progress (CIP) on New Central Subway, Central Control System Upgrade and Security Projects, and other roadway and track infrastructure upgrades. The remaining increase consists of about $97.4 million for new buses, vans and escalator replacement and $12.1 million in building improvements offset by additional accumulated depreciation of approximately $100.3 million. Of the above noted construction projects, the New Central Subway has $603.6 million or 71.1 percent of SFMTA’s total CIP assets of $849.4 million. It is a vast undertaking that will link the existing T-line at 4th and King in the City’s South of Market area to Union Square and Chinatown to the north, greatly expanding the transit options on this highly traveled and populated corridor.
The Wastewater Enterprise net capital assets totaled $1.8 billion at the end of fiscal year 2013-14, a $144.7 million or 8.7 percent increase for the year. Approximately $59.6 million of the increase was due to facility improvement and equipment purchases for the Oceanside and Southeast Plant Improvements project and the Spot Sewer Repair Project. The remaining increase of $85.1 million was primarily in construction in progress work on various Sewer System Improvement Projects (SSIP) and sewer repair and replacement work. The enterprise is in Phase 1 of SSIP work, a three phase, 20 year, $6.9 billion undertaking that will upgrade existing infrastructure for operational reliability and regulatory compliance, and implement innovative green infrastructure projects. Phase 1 consists of $2.7 billion in critical repair and upgrades including rebuilding the Southeast Treatment Plant, constructing eight green infrastructure projects, and planning, design and environmental review of improvements for the Central Bayside project. Phases 2 and 3 are estimated at $3.3 billion and $0.9 billion respectively, for additional infrastructure upgrades, creation of redundancy to critical system components, and seismic and reliability upgrades throughout the system.

Hetch Hetchy’s net capital assets totaled $362.5 million at the end of fiscal year 2013-14, a $13.6 or 3.9 percent increase over the prior year. Hetchy Power’s net capital assets accounted for $9.6 million of this increase which was due to increased construction work in progress for Power Distribution, Early Intake Switchyard projects, facilities, improvements, machinery and equipment. The remaining $4.0 million net increase to capital assets was accounted for by Hetchy Water’s rise in construction in progress work on infrastructure projects and the Lower Cherry Aqueduct Project.

The Port’s net capital assets increased by $30.7 million to $439.8 million at the end of fiscal year 2013-14. This 7.5 percent increase was largely due to completion of construction of the James R. Herman Cruise Terminal at Pier 27, which became operational in September 2014.

Laguna Honda Hospital’s net capital assets decreased by almost $13.0 million to $550.0 million in fiscal year 2013-14. This was primarily due to a small net increase in capital assets and construction in progress of $3.1 million, largely related to the rebuild of the new hospital which was occupied in 2010. In addition, in the current year there was an increase of $16.1 million in accumulated depreciation.

General Hospital’s net capital assets increased by close to $20.0 million in fiscal year 2013-14. This was due primarily to a net increase in construction projects of $23.0 million, net increase of $2.8 million in facilities, equipment and improvements, along with an increase of $5.8 million in accumulated depreciation. In the current year, the hospital continued progress on its rebuild project which is financed by general obligation bonds in the amount of $887.4 million, accounted for in the City’s capital project funds. When completed, the new hospital will be contributed to the SFGH enterprise fund.

The Airport’s net capital assets increased by $148.9 million at the end of fiscal year 2014, a 4.0 percent increase over the prior year due primarily to construction in progress on several large projects, including the Runway Safety Area Program and improvements to Terminal 3.

At the end of fiscal year 2013-14, the City’s business-type activities had approximately $951.4 million in commitments for various capital projects. Of this, Water Enterprise had $433.6 million, SFMTA had $283.6 million, Wastewater had $116.3 million, Airport had $68.3 million, Hetch Hetchy had $23.2 million, the Port had $17.0 million, Laguna Honda Hospital had $4.9 million and General Hospital had $4.7 million. In addition, there was an estimated $147.1 million reserved in encumbrances for general government capital projects.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of fiscal year 2013-14. Governmental fund financial statements record capital asset purchases as expenditures.

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

At the end of June 30, 2014, the City had total long-term and commercial paper debt outstanding of $13.58 billion. Of this amount, $1.94 billion is general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City and $11.64 billion is revenue bonds, loans, certificates of participation, capital leases, and other debts of the City secured solely by specified revenue sources.

As noted previously, the City's total long-term debt including all bonds, loans, commercial paper notes and capital leases increased by $411.0 million or 3.1 percent during the fiscal year. The net decrease in debt obligations in the governmental activities was $21.6 million primarily due to redemption on maturity. For the business-type activities, the net increase in debt obligations was $432.3 million. This is due primarily to the issuance of commercial paper by the Airport, certificates of participation by the Port Commission and revenue bonds by the Airport, the Municipal Transportation Agency (SFMTA) and the Port Commission for various capital projects.

The business-type activities issued a combined total of $559.2 million revenue bonds, of which $461.1 million was issued by the Airport to finance the construction cost of Terminal 3 East improvements, the renovation of Boarding Area E and other projects in the Airport's five-year Capital Plan. The SFMTA issued $75.4 million of revenue bonds to finance its various transit and parking projects. The Port Commission issued $22.7 million revenue bonds to finance capital projects to various Port facilities and $37.7 million of Certificates of Participation, of which $27.2 million was used to repay commercial paper. The Airport issued additional $249.4 million commercial paper notes to finance capital improvement projects.

The City issued $210.0 million in general obligation bonds to fund the General Hospital rebuild projects, $47.2 million refunding certificates of participation for economic savings and drew an additional loan for $8.7 million for the renovation of the City's west harbor marina.

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 $175.97 billion in value as of the close of the fiscal year. As of June 30, 2014, the City had $2.11 billion in authorized, outstanding general obligation bonds, which is equal to approximately 1.15 percent of gross (1.2 percent of net) taxable assessed value of property. As of June 30, 2014, there were an additional $940.7 million in bonds that were authorized but unissued. If all of these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.66 percent of gross (1.73 percent of net) taxable assessed value of property.

The City’s underlying ratings on general obligation bonds as of June 30, 2014 were:

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

During the fiscal year, Moody’s Investors Service (Moody’s), Fitch Ratings and Standard & Poor’s affirmed the City's ratings of “Aa1”, “AA” and “AA+”, respectively, with a stable outlook on all the City’s outstanding general obligation bonds.

The City’s enterprise activities maintained their underlying debt ratings this fiscal year. Moody’s, Standard & Poor’s and Fitch Ratings affirmed their underlying credit ratings of the Airport of “A1”, “A+” and “A+” with stable rating outlooks, respectively. The Water Enterprise, Wastewater Enterprise and SFMTA all carried underlying ratings of “Aa3” and “AA-” from Moody’s and Standard & Poor’s, respectively as of June 30, 2014.

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 2014-15 and 2015-16. 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, and the Port, which each have a fixed two-year budget.

- Average unemployment for fiscal year 2013-14 was 5.2 percent, a 1.3 percent decrease from fiscal year 2012-13.

- Housing prices, residential and commercial rent, hotel revenues, and retail sales all continued to show strong growth. The average median home price in fiscal year 2013-14 was $884,083, up 15.5 percent from the previous fiscal year average median home price of $765,583. Residential and commercial rents also grew by 9.4 percent and 5.1 percent, respectively, from the prior fiscal year.

- The hotel sector saw significant growth in fiscal year 2013-14 over the prior year. Monthly average hotel room average occupancy improved slightly from 84.2 percent during fiscal year 2012-13 to 85.8 percent in fiscal year 2013-14 while average daily room rates grew by 11.7 percent to $238 per room-night from an average of $213 in the prior year.

- The City’s taxable sales have also continued to grow, with fiscal year 2013-14 sales tax revenue up 9.4 percent over fiscal year 2012-13.

The Mayor and Board of Supervisors approved a final two-year budget for fiscal years 2014-15 and 2015-16 in July 2014, which assumes use of prior year fund balance from General Fund of $135.9 million and $137.1 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

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

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

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

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

San Francisco County Transportation Authority
Deputy Director for Administration and Finance
1455 Market Street, 22nd Floor
San Francisco, CA 94103

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

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

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

San Francisco Employees’ Retirement System
Executive Director
1145 Market Street, 5th Floor
San Francisco, CA 94103

Blended Component Units Financial Statements

San Francisco County Transportation Authority
Deputy Director for Administration and Finance
1455 Market Street, 22nd Floor
San Francisco, CA 94103

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