New Issue - Book-Entry Only

RATINGS: **Moody's: A2**
S&P: AA-
Fitch: A+
(See "Ratings" herein)

In the opinions of Squire, Sanders & Dempsey L.L.P., San Francisco, California, and of Alexis S. M. Chiu, Esq., San Francisco, California, Co-Bond Counsel, under existing law and assuming continuing compliance with certain covenants and the accuracy of certain representations, (i) interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$11,885,000
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE BONDS, SERIES 2008A

Dated: Date of Delivery **Due: April 1 and October 1, as shown below**

The City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2008A (the "Bonds"), are being issued pursuant to an Indenture, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by the Sixteenth Supplemental Indenture, dated as of April 1, 2008 (collectively, the "Indenture"), by and between the City and County of San Francisco Finance Corporation (the "Corporation") and U.S. Bank National Association, San Francisco, California (the "Trustee"). The Bonds are being sold to provide funds to finance the acquisition and installation of certain equipment (the "Project," as more fully described herein) to be leased to the City and County of San Francisco (the "City") pursuant to an Equipment Lease, dated as of January 1, 1991, by and between the Corporation and the City, as amended and restated as of October 15, 1998, and as supplemented by Equipment Lease Supplement No. 15, dated as of April 1, 2008 (collectively, the "Lease"). Subject to the condition that there is no substantial interference with the City's use and possession of the Project, or any portion thereof, the City has covenanted in the Lease to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments (collectively, the "Rental Payments") for the Project in its annual budget, and to make necessary annual appropriations therefor. (The terms "Base Rental" and "Additional Rental" are defined herein.) Principal of and interest on the Bonds are payable from the Base Rental payments and from certain funds held under the Indenture.

The Bonds are subject to special redemption prior to maturity as described herein. The Bonds are not subject to optional redemption. See "THE BONDS–Special Redemption."

Interest on the Bonds is payable on April 1 and October 1 of each year, commencing October 1, 2008. The Bonds will be delivered only in fully registered form and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds 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 Bonds will be paid by the Trustee to DTC (as described herein), which will in turn remit such principal and interest to the participants in DTC for subsequent disbursement to the Beneficial Owners of the Bonds. See "APPENDIX F–DTC AND THE BOOK-ENTRY ONLY SYSTEM."

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

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

MATURITY SCHEDULE

Maturity	Principal Amount	Interest Rate	Price or Yield	CUSIP†	Maturity	Principal Amount	Interest Rate	Price or Yield	CUSIP†
April 1, 2009	$1,415,000	3.000%	2.000%	79765XNP7	April 1, 2012	$400,000	3.250%	3.100%	79765XNV4
October 1, 2009	1,440,000	3.000	2.040	79765XNQ5	October 1, 2012	410,000	3.250	3.120	79765XNW2
April 1, 2010	1,725,000	3.000	2.500	79765XNR3	April 1, 2013	285,000	3.250	3.250	79765XNX0
October 1, 2010	1,740,000	2.750	2.520	79765XNS1	October 1, 2013	290,000	3.375	3.270	79765XNY8
April 1, 2011	1,780,000	3.000	2.770	79765XNT9	April 1, 2014	295,000	3.375	3.450	79765XNZ5
October 1, 2011	1,805,000	3.000	2.790	79765XNU6	October 1, 2014	300,000	3.375	3.480	79765XPA8

The Bonds are offered when, as and if issued by the Corporation and received by the initial purchasers, subject to the approval of legality by Squire, Sanders & Dempsey L.L.P., San Francisco, California, and Alexis S. M. Chiu, Esq., San Francisco, California, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and for the Corporation by its counsel, Miller Brown & Dannis, San Diego, California. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about April 23, 2008.

Dated: April 9, 2008

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†CUSIP numbers are provided for convenience of reference only. Neither the Corporation, the City nor the Underwriter assumes any responsibility for the accuracy of such numbers. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

No dealer, broker, salesperson or other person has been authorized by the Corporation 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 Corporation. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

The information set forth herein provided by parties other than the City and the Corporation, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the City since the date hereof. Further, a wide variety of information, including financial information, concerning the City is available from the City, City departments and agencies, and their respective publications and websites. No such information is part of or incorporated into this Official Statement, except as expressly noted herein. Any such information that is inconsistent with the information in this Official Statement should be disregarded.

When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder for the issuance and sale of municipal securities.

This Official Statement and the information contained herein are in a form deemed final by the Corporation for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Marc Stad
President

Barry Fishman
Chief Financial Officer

Pamela S. Jue
Secretary

CITY AND COUNTY OF SAN FRANCISCO

Gavin Newsom, *Mayor*

BOARD OF SUPERVISORS

Aaron Peskin, *Board President, District 3*

Michela Alioto-Pier, *District 2*
Tom Ammiano, *District 9*
Chris Daly, *District 6*
Bevan Dufty, *District 8*
Sean Elsbernd, *District 7*

Carmen Chu, *District 4*
Sophie Maxwell, *District 10*
Jake McGoldrick, *District 1*
Ross Mirkarimi, *District 5*
Gerardo Sandoval, *District 11*

CITY AND COUNTY OFFICIALS

José Cisneros, *Treasurer*
Benjamin Rosenfield, *Controller*
Edwin Lee, *City Administrator*
Dennis J. Herrera, *City Attorney*

PROFESSIONAL SERVICES

Squire, Sanders & Dempsey L.L.P.
San Francisco, California
Alexis S. M. Chiu, Esq.
San Francisco, California
Co-Bond Counsel

Miller Brown & Dannis
San Diego, California
Corporate Counsel

Kitahata & Company
San Francisco, California
Financial Advisor

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

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$11,885,000

**CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE BONDS, SERIES 2008A**

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto (this "Official Statement"), provides certain information concerning the issuance of $11,885,000 aggregate principal amount of the City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2008A (the "Bonds"). Any capitalized term not defined herein shall have the meaning given to such term in "APPENDIX D–SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE–THE INDENTURE–Certain Defined Terms." The Bonds are being issued pursuant to an Indenture, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by the Sixteenth Supplemental Indenture, dated as of April 1, 2008 (collectively, the "Indenture"), by and between the City and County of San Francisco Finance Corporation (the "Corporation") and U.S. Bank National Association, San Francisco, California, as trustee (the "Trustee"). The Bonds are being sold to provide funds to finance the acquisition and installation of certain equipment (as more fully described herein, the "Equipment" or the "Project") to be leased to the City and County of San Francisco (the "City") under an Equipment Lease, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by Equipment Lease Supplement No. 15, dated as of April 1, 2008, between the City and the Corporation (collectively, the "Lease").

Prior to June 1990, the City Charter prohibited the City from engaging in the lease-purchase of equipment or real property through public entities or non-profit corporations using tax-exempt obligations without a vote of the electorate. On June 5, 1990, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to $20 million of equipment through a non-profit corporation using tax-exempt obligations without an additional vote of the electorate. The principal amount of the obligations with respect to lease financings under Proposition C may not exceed in the aggregate at any time the principal amount of $20 million, such amount to be increased by five percent each fiscal year, commencing with fiscal year 1990-1991. As of April 1, 2008, the maximum amount of obligations permitted under Proposition C and the Indenture was $45,840,366 and $20,370,000 principal amount of lease revenue bonds were outstanding under Proposition C and the Indenture.

Subject to abatement in whole or in part during any period in which there is substantial interference with the use and possession by the City of the Equipment constituting the Project, or any portion thereof, the City is required to pay to the Corporation specified Base Rental payments in amounts sufficient to pay, when due, the principal of and interest on the Bonds, and to pay certain Additional Rental payments (collectively, the "Rental Payments") for use and possession of the Equipment and the City has covenanted to take such action as may be necessary to include all Rental Payments in its annual budgets and to make the necessary annual appropriations therefor. The Lease provides that such covenants of the City are deemed by the City to be and shall be construed to be ministerial duties imposed by law. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Pursuant to the Indenture, the Corporation has assigned to the Trustee, for the benefit of the Owners, substantially all of its rights (excluding certain rights as set forth herein) under the Lease, including its right to receive and collect the Base Rental payments from the City under such Lease and its right as may be necessary to enforce payment of the Base Rental payments. The Corporation has entered into an Agency Agreement, dated as of January 1, 1991 (the "Agency Agreement"), with the City pursuant to which the City is appointed as agent of the Corporation in connection with the acquisition and installation of the Equipment.

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

For certain financial information with respect to the City, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–City Budget and Finances" and "APPENDIX A–CITY AND COUNTY OF SAN FRANCISCO–Organization and Finances."

For a discussion of certain risk factors associated with an investment in the Bonds, see "CERTAIN RISK FACTORS."

For a discussion of constitutional and statutory limitations on the ability of the City to raise revenues and spend proceeds of taxes, see "CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS" herein. For a discussion of demographic and economic information with respect to the City, see "APPENDIX B–CITY AND COUNTY OF SAN FRANCISCO–Economy and General Information."

THE BONDS

General Terms

The Bonds are being sold in the aggregate principal amount of $11,885,000 and will be dated as of their date of delivery to the initial purchasers thereof. Interest on the Bonds, until the maturity or earlier redemption thereof, is payable on April 1 and October 1 of each year, commencing on October 1, 2008 (each a "Payment Date"). Bonds authenticated and registered on any date prior to the close of business on the first Record Date (as defined below) shall bear interest from the date of the Bonds. Bonds authenticated during the period between any Record Date and the close of business on its corresponding Interest Payment Date shall bear interest from such Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication; provided, however, that if, at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. The interest represented by the Bonds is payable by check mailed to the Owners at the addresses appearing on the Bond registration books as of the close of business on the 15th day of the calendar month immediately preceding such Interest Payment Date (the "Record Date"). The principal payable upon maturity or redemption with respect to the Bonds is payable upon surrender of such Bonds at the principal corporate trust office of the Trustee in San Francisco, California.

The Bonds will be delivered in registered form, without coupons, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases of the Bonds will be made in book-entry form only in the principal amount of $5,000 or any integral multiple thereof. See "THE BONDS—THE BOOK-ENTRY ONLY SYSTEM" herein.

No Optional Redemption

The Bonds are **not** subject to optional redemption.

Special Redemption

The Bonds are subject to special redemption on any date prior to their maturity, as a whole, or in part, from prepaid Base Rental payments made by the City from the net proceeds of any commercial insurance, self-insurance or condemnation award with respect to the Equipment (the "Net Proceeds"), if such Net Proceeds are not used to repair, replace or restore the Equipment in accordance with the provisions of the Lease. The Bonds are also subject to redemption on the first practicable date for which notice of redemption can be given following receipt by the Trustee of a Certificate of Completion, in part, from moneys remaining in the Project Account within the Acquisition Fund and transferred to the Redemption Fund, if any, and from certain additional amounts transferred to the Trustee by the City pursuant to the Lease. See "THE PROJECT—Acquisition Fund" herein.

In the event of such a redemption, Bonds will be redeemed at a redemption price equal to the sum of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium. Whenever Bonds are redeemed in part, the Trustee shall select the Bonds of each maturity to be redeemed so that the amounts of the Bonds which shall remain outstanding after such redemption shall be as nearly proportional as practicable to the aggregate annual amounts of Base Rental payments designated as the principal component to be thereafter payable pursuant to the Lease. Whenever less than all the outstanding Bonds of any maturity are to be redeemed on any one date, the Trustee shall select the bonds of such maturity to be redeemed by lot in any manner that the Trustee deems fair, and the Trustee shall promptly notify the Corporation and the City in writing of the numbers of the Bonds so selected for redemption.

The Trustee must give to the Owners notice of the redemption of Bonds. Such notice shall specify: (a) the Bonds or designated portions thereof which are to be redeemed, including the series designations of such Bonds, (b) the date of redemption, (c) the place where the redemption will be made, including the name and address of any paying agent, (d) the redemption price, (e) the CUSIP numbers assigned to the Bonds to be redeemed, (f) the numbers of the Bonds to be redeemed, and (g) the interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, and that from and after such date interest represented thereby shall cease to accrue and be payable. Such notice of redemption shall be given by first class mail, postage prepaid, to the Owners of the Bonds designated for redemption at their addresses appearing on the Bond register, at least 30 days but not more than 60 days prior to the redemption date. Neither the failure to receive such notice nor any defect in such notice shall affect the validity of the proceedings for the redemption of Bonds, nor prevent the interest on such Bonds from ceasing to accrue upon the stated redemption date.

The Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC. So long as all outstanding Bonds are registered in the name of Cede & Co., or its registered assigns, neither the Corporation nor the Trustee will have any responsibility for transmitting payments to, or notifying, any holder or Beneficial Owner of the Bonds. For further information concerning DTC's book-entry only system, see "APPENDIX F–DTC AND THE BOOK-ENTRY ONLY SYSTEM."

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds are secured by and payable from Base Rental payments made to the Corporation under the Lease so long as the City has use and possession of the Equipment. To further secure Base Rental payments, the Corporation will grant all rights, title and interest in the Equipment to the Trustee for the benefit of the Owners of the Bonds.

Base Rental Payments

The City has agreed under the Lease that so long as the City has the right to use and possess the Equipment it will make Base Rental payments which are calculated to be at least sufficient, in both time and amount, to equal debt service requirements on the Bonds. The Trustee shall collect and receive all of the Base Rental payments, and any Base Rental payments collected or received by the Corporation must immediately be paid by the Corporation to the Trustee. All Base Rental payments shall be held in trust by the Trustee in the Base Rental Payment Fund to be used: first, for payment of interest on the Bonds; second, for payment of the principal of the Bonds as it becomes payable; and third, for replenishment of the Reserve Fund. After making any deposits necessary for the foregoing purposes, the Trustee will transfer any amounts remaining in the Base Rental Payment Fund to the Surplus Fund. Any amounts in the Surplus Fund not required for payment of principal of and interest on the Bonds, upon request by the Corporation, may be used for redemption or purchase of Bonds or transferred to the Working Capital Fund or to the City.

The Base Rental payments will be abated proportionately during any period in which, by reason of any damage, theft or destruction, there is substantial interference with the use and possession of the Equipment, or any portion thereof, by the City or the Corporation cannot deliver possession of any item of Equipment to the City by the Scheduled Completion Date (as defined below). Such abatement shall continue for the period commencing on the date of such damage, theft or destruction and ending on the date of completion by the Corporation of the work of repair or replacement of the damaged, stolen or destroyed Equipment or portion thereof or so long as possession of the Equipment is not delivered to the City. Any abatement of Base Rental payments could affect the Corporation's ability to pay debt service on the Bonds, although the Lease requires the City to maintain rental interruption insurance for at least a 12-month period and the Indenture requires that a Reserve Fund be established. See "CERTAIN RISK FACTORS–Abatement" herein.

Base Rental Payment Schedule

The Lease requires the City to make Base Rental payments on each March 15 and September 15, commencing September 15, 2008, in payment for the use and possession of the Equipment during the term of the Lease. A portion of Base Rental payments representing interest will be funded from the proceeds of the Bonds through June 1, 2009.

The Indenture requires that Base Rental payments be deposited in the Base Rental Payment Fund maintained by the Trustee. Pursuant to the Indenture, on April 1 and October 1 of each year, commencing on October 1, 2008, the Trustee will apply amounts on deposit in the Base Rental Payment Fund as necessary to make principal and interest payments with respect to the Bonds as the same shall become due and payable, as shown in the following table.

SERIES 2008A DEBT SERVICE SCHEDULE

Payment Date [1]	Principal	Interest[2]	Total	Fiscal Year Total
October 1, 2008		$157,234.69	$157,234.69	
April 1, 2009	$1,415,000.00	179,128.13	1,594,128.13	$1,751,362.81
October 1, 2009	1,440,000.00	157,903.13	1,597,903.13	
April 1, 2010	1,725,000.00	136,303.13	1,861,303.13	3,459,206.25
October 1, 2010	1,740,000.00	110,428.13	1,850,428.13	
April 1, 2011	1,780,000.00	86,503.13	1,866,503.13	3,716,931.25
October 1, 2011	1,805,000.00	59,803.13	1,864,803.13	
April 1, 2012	400,000.00	32,728.13	432,728.13	2,297,531.25
October 1, 2012	410,000.00	26,228.13	436,228.13	
April 1, 2013	285,000.00	19,565.63	304,565.63	740,793.75
October 1, 2013	290,000.00	14,934.38	304,934.38	
April 1, 2014	295,000.00	10,040.63	305,040.63	609,975.00
October 1, 2014	300,000.00	5,062.50	305,062.50	
April 1, 2015				305,062.50
TOTAL	$11,885,000.00	$995,862.81	$12,880,862.81	$12,880,862.81

[1] Under the Lease, the City is required to pay Base Rental at least 15 days prior to the respective Payment Dates on the Bonds.

[2] A portion of Base Rental payments representing interest will be funded from the proceeds of the Bonds through June 1, 2009.

Limited Obligation

THE BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS MADE BY THE CITY PURSUANT TO THE LEASE AND ANY OTHER AMOUNTS (INCLUDING THE PROCEEDS OF THE SALE OF THE BONDS) HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE INDENTURE, OTHER THAN THE REBATE FUND, SUBJECT TO THE PROVISIONS OF THE INDENTURE PERMITTING THE APPLICATION OF SUCH AMOUNTS FOR THE PURPOSES AND ON THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE. THE CORPORATION SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, AND INTEREST ON, THE BONDS ONLY FROM THE FUNDS DESCRIBED IN THE INDENTURE AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS SHALL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION IN RESPECT OF THE ISSUANCE OF THE BONDS.

Reserve Fund

The Indenture establishes a Reserve Fund to be held by the Trustee, which will be initially funded from proceeds of the Bonds in an amount equal to the Reserve Requirement, initially $1,188,500. Such moneys will be held in trust as a reserve for the payment when due of all debt service payments on the Bonds. To reflect the declining debt service structure of the Bonds, the Reserve Requirement will be reduced to the following amounts on the following dates (and such reductions will be used to pay portions of the principal and interest on the Bonds due on such dates) unless the Trustee determines, as of the date of any such reduction, that insufficient funds will be on deposit in the Interest Fund and the Principal Fund to pay any interest or principal due (or past due) on the Bonds on such dates:

Date	Amount
October 1, 2009	$902,500
October 1, 2010	556,000
October 1, 2011	197,500
October 1, 2012	117,000
October 1, 2013	59,500

Any amounts on deposit in the Reserve Fund in excess of the Reserve Requirement will be transferred to the Base Rental Payment Fund for deposit in the Interest Account and Principal Account.

Covenant to Budget

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

IF THE CITY DEFAULTS ON ITS COVENANTS IN THE LEASE TO INCLUDE ALL RENTAL PAYMENTS IN THE APPLICABLE ANNUAL BUDGETS AND SUCH DEFAULT SHALL HAVE CONTINUED FOR 30 DAYS OR MORE, THE TRUSTEE MAY EITHER TERMINATE THE LEASE AND RELET OR SELL THE EQUIPMENT OR ANY COMPONENT THEREOF OR MAY RETAIN THE LEASE AND HOLD THE CITY LIABLE FOR ALL RENTAL PAYMENTS ON AN ANNUAL BASIS. THE OBLIGATION TO BUDGET AND MAKE SUCH RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION, AND THE CITY IS NOT OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION NOR HAS THE CITY LEVIED OR PLEDGED ANY FORM OF TAXATION FOR PAYMENT OF BASE RENTAL.

City Budget and Finances

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 Finances" and "APPENDIX C–COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2007."

Investment Policy

For a discussion of the City's investment policy and a description of the City's investment portfolio regarding surplus cash, See "APPENDIX A–CITY AND COUNTY OF SAN FRANCISCO–Organization and Finances–Investment Policy."

THE PROJECT

Description of the Equipment Acquisition Program

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

2008A EQUIPMENT LIST

Equipment	Units	Estimated Total Cost	Lease Term (Years)
Gas Chromatograph	1	$60,869	4
Probation Officer Vehicles	4	114,000	3
Vehicles (Crown Vic CNG)	2	60,000	3
Laundry Trucks	2	209,792	4
Utility Truck	1	27,126	4
Endoscope System	1	37,711	4
Ultrasound Machines	11	50,545	4
Otpt Pharmacy Automation System	1	428,250	4
Bucket Truck (55 ft)	1	233,275	3
Small Chip Truck (GMC Topkick w/Man Cab)	1	62,930	3
Graffiti Van	1	162,750	3
Mobile Asphalt Recycler/Pothole Truck	1	162,750	3
3/4 Ton Truck w/Utility Bed	1	30,380	3
1 Ton Truck w/Pressure Washer (with GPS)	3	198,555	3
Passenger Van	1	32,550	3
Passenger Van	1	32,550	3
1 Ton Van w/Contractor	2	62,930	3
Crack Seal Trailer	1	31,465	3
Bucket Truck (55 ft)	1	254,975	3
Passenger Van	1	32,550	3
3/4 Ton Truck w/Utility Bed	1	30,380	3
Passenger Van	1	32,550	3
Large Chipper (Wood Chuck)	1	32,550	3
Dump Truck	1	36,890	3
Dump Truck	1	36,890	3
1 Ton Van w/Contractor	1	31,465	3
Dump Truck	1	36,890	3
Sweeps Air CNG	1	260,400	3
Water Truck	1	64,015	3
Sweepers Air CNG	1	260,400	3
Sweepers Air CNG	1	260,400	3
Defibrillator - Convert existing to 12-lead	16	188,368	5
Defibrillator	10	310,550	5
Triple Combination Pumper	1	400,000	5
Aerial Ladder Truck	1	708,750	5
Ambulance	1	121,800	5
Triple Combination Pumper	1	400,000	5
Ambulance	1	121,800	5

Equipment	Units	Estimated Total Cost	Lease Term (Years)
Battalion and Chief's Vehicle	2	75,600	5
Rescue Captain Vehicle	2	75,600	5
Marked Police Vehicles	30	1,320,000	3
Tactical Equipment Truck	1	70,941	3
Unmarked Police Vehicles (CNG)	4	150,000	3
1 Ton Crewcab Utility Bed Truck 4WD	1	50,724	3
Toro 580-D Rotary Gang Mower	1	81,375	3
Truck, Reg. Pick-up No Dump F-250 Type	1	30,923	3
3/4 Ton, 4WD Van	1	38,789	3
Truck, Reg. Pick-up No Dump Chevy 2500 Type	1	43,205	3
Truck Ford Pick-up F250 Type w/Lift	1	50,127	3
Ford F-150 Ranger Extended CAB	1	24,467	3
Truck Ford Pick-up F250 Type w/Dump Bed	1	43,565	3
Truck Ford Pick-up F250 Type w/Dump Bed	1	43,563	3
Truck, Reg. Pick-up No Dump Chevy 2500 Type	1	43,205	3
72" Toro Groundmaster	1	23,751	3
Pick-up Truck Ford Ranger	1	24,467	3
Passenger Sedan, 4 Door	1	28,644	3
Turf Vehicle Cushman Dump Bed	1	25,064	3
Turf Vehicle Cushman Dump Bed	1	25,064	3
Freightliner, 10 Wheel, 12 Yard, Dump Truck	1	146,475	3
Freightliner Truck M2106 w/Car Carrier	1	89,513	3
2007 Ford Crown Victoria Police Cruiser	1	33,418	3
1 Ton Crewcab Utility Bed Truck 4WD	1	50,724	3
Turf Vehicle Cushman Dump Bed	1	25,064	3
Truckster Workman	1	25,064	3
Ford F350 Crew Cab w/Dump Bed	1	43,563	3
Toro Workman W/Dump Bed	1	25,064	3
Pick-up Truck Ford Ranger	1	24,467	3
Toro Groundmaster	1	41,176	3
Turf Vehicle Cushman Dump Bed	1	25,064	3
Turf Vehicle Cushman Dump Bed	1	25,064	3
Truck 3/4 Ton Regular Cab	1	43,563	3
2007 Ford Crown Victoria Police Cruiser	1	33,418	3
1 Ton Crew Cab Dump Pick-up 4WD	1	54,304	3
Truck Ford Pick-up F250 Type, 4x4 Dump Winch	1	43,583	3
Pick-up Truck Ford Ranger	1	24,467	3
Toro Workman W/Pressure Washer	1	24,467	3
Toro Workman W/Dump Bed	1	25,064	3
72" Toro Groundmaster	1	23,751	3
72" Toro Groundmaster	1	23,751	3
Truck 3/4 Ton Dump Bed Regular CAB	1	43,563	3
Truck 3/4 Ton Dump Bed Regular CAB	1	43,563	3
Freightliner 2-Axle, 6yd Dump Truck	1	105,245	3
2007 Ford Crown Victoria Police Cruiser	1	33,418	3
1/Ton Crew Cab Dump Ford Pickup 4WD	1	50,724	3
Turf Vehicle Cushman Dump Bed	1	25,064	3
Turf Vehicle Cushman Dump Bed	1	24,467	3

Equipment	Units	Estimated Total Cost	Lease Term (Years)
72" Toro Groundmaster	1	23,751	3
Truck 3/4 Ton Dump Bed Regular CAB	1	43,563	3
Mower 52 Deck Toro Rotary	1	20,290	3
Truckster Toro Workman 3200	1	28,210	3
2007 Ford Crown Victoria Police Cruiser	1	28,557	3
3/4 Ton Reg Cab Ford Pick-up Truck 2WD (4x4)	1	38,789	3
Turf Vehicle Cushman Dump Bed	1	25,064	3
Turf Vehicle Cushman Dump Bed	1	24,467	3
Mower 52 Deck Toro Rotary	1	20,290	3
Mower Toro Greensmaster 3100	1	28,525	3
72" Toro Groundmaster	1	23,751	3
Model 200 Brush Bandit Chipper	1	71,610	3
Pick-up Truck Ford Ranger	1	24,467	3
Mower 52 Deck Toro Rotary	1	20,290	3
Pick-up Truck Ford Ranger	1	24,467	3
Mower 52 Deck Toro Rotary	1	20,290	3
Vehicles for Park Patrol	3	100,254	3
Bus w/Outfitting	1	193,948	3
Sedan, Mid-Size Lev W/Outfitting (Toyota Camry)	1	36,348	3
Sedan, Mid-Size Lev W/Outfitting (Toyota Camry)	1	36,348	3
Sedan, Full-size Lev w/Outfitting (Crown Vic CNG)	1	49,910	3
Sedan, Full-size Lev w/Outfitting (Crown Vic CNG)	1	49,910	3
Van	1	30,380	3
Van	1	30,380	3
Truck	1	42,861	3
Bucket truck (55 ft)	1	97,650	3
Van	1	30,380	3
Van	1	52,626	3
Total:		$10,283,569	

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

Additional Rental

The City shall also pay, as Additional Rental under the Lease, certain amounts required by the Corporation for payment of its administrative costs, insurance premiums and taxes in connection with the Project, and Rebate Fund deficiencies, if any. All amounts received by the Corporation as Additional Rental under the Lease will be deposited in the Working Capital Fund. Upon the Written Request of the

Corporation, the Trustee will disburse amounts in the Working Capital Fund for the payment of taxes and assessments, insurance premiums, and any administrative cost of the Corporation or charges required to be paid by the Corporation in order to maintain its existence or to comply with the terms of the Bonds or of the Indenture.

Acquisition Fund

All moneys in the Acquisition Fund are required by the Indenture to be applied by the Trustee to the payment of any Project Costs (or for making reimbursements to the Corporation, the City or any other person for such costs). The Trustee will establish a Project Account within the Acquisition Fund for the Bonds. Amounts in the Project Account may be distributed by the Trustee only to pay costs related to the Project. Upon receipt by the Trustee of a Certificate of Completion for the Project, all amounts remaining in the Project Account are required to be transferred by the Trustee to the Rebate Fund as needed, or to the Redemption Fund to be applied to redeem Bonds.

Repair and Maintenance

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

SOURCES AND USES OF FUNDS

Sources and Uses of Funds

The estimated sources and uses of funds are as follows:

Sources of Funds:	
Par Amount	$11,885,000.00
Net Original Issue Premium	84,779.35
Underwriter's Discount	(52,753.32)
Total Sources	$11,917,026.03
Use of Funds:	
Acquisition Fund	$10,283,569.00
Capitalized Interest [1]	204,610.46
Reserve Fund	1,188,500.00
Costs of Issuance Fund[2]	235,346.57
Working Capital Fund	5,000.00
Total Uses	$11,917,026.03

(1) A portion of Base Rental payments representing capitalized interest will be funded from the proceeds of the Bonds through June 1, 2009.

(2) Includes amounts for legal fees, Trustee fees, financial advisory fees, rating agency fees, printing costs and other costs of issuing the Bonds.

CERTAIN RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Bonds. Each prospective investor in the Bonds is encouraged to read this Official Statement in its entirety. This section is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Bonds and additional risk factors may become evident in the future. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the liquidity of the Bonds. The order in which this information is presented does not necessarily reflect the relative importance of various risks.

Rental Payments Not a Debt of the City

The obligation of the City to pay the 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 pay Rental Payments does not constitute an indebtedness of the City and County of San Francisco, the State of California (the "State") or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Additional Obligations

Subject to certain City Charter restrictions, the City may incur other obligations, which may constitute additional charges against its revenues, without the consent of the Owners of the Bonds. To the extent that the City incurs additional obligations, the funds available to make Rental Payments 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–Statement of Direct and Overlapping Bonded Debt," "–Tax Supported Debt Service" and "–Lease Payments and Other Long-Term Obligations." See also "APPENDIX C–COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

Abatement of Rental Payments

The obligation of the City under the Lease to make Base Rental payments is in consideration for the use and right of possession of the Equipment. The obligation of the City to make Base Rental payments may be abated in whole or in part if the City does not have full use and right of possession of any portion of the Equipment, and if the portion of the Equipment then available for beneficial use and possession by the City has an aggregate fair rental value below the amount of the applicable Base Rental payments. If all of the Equipment is not acquired, delivered, installed and accepted, the City may not be obligated to make any, or all, of the applicable Base Rental payments. However, the City has covenanted under the Lease and the Agency Agreement to acquire, deliver, and install the Equipment, and to cause such acquisition, delivery and installation to be completed, on or prior to June 1, 2009 (the "Scheduled Completion Date").

In the event Base Rental payments are abated, no assurances can be given that moneys on deposit in the Base Rental Payment Fund and Reserve Fund or proceeds of rental interruption insurance will be sufficient to pay the debt service on the Bonds. In addition, even if such amounts are sufficient to make such payments, moneys remaining in the Reserve Fund after such payments may be less than the Reserve Requirement.

The amount of Base Rental payments due under the Lease will be abated during any period in which by reason of damage, theft, destruction, condemnation or title defect there is substantial interference with the use and right of possession of the Equipment by the City. Such abatement shall continue for the period commencing with the date of such damage, theft, destruction, condemnation or title defect and shall end with the restoration of the Equipment or any portion thereof to useable condition or correction of the title defect. Reserve Fund moneys and the proceeds of rental interruption insurance may be used by the Trustee to make payments with respect to the Bonds in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest on the Bonds as such amounts become due. **If damage, destruction, condemnation or title defect with respect to the Equipment or any portion thereof results in abatement of Base Rental payments and the resulting Base Rental payments, together with moneys, if any, in the Reserve Fund and any proceeds of rental interruption insurance, are insufficient to make all payments with respect to the Bonds during the period that the Equipment, or portion thereof, is being restored, then such payments may not be made and no remedy will be available to the Trustee or the Owners and Beneficial Owners under the Lease or Indenture for nonpayment under such circumstances.**

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

Limited Recourse on Default

The Lease and Indenture provide that, if there is a default by the City, the Trustee may take possession of and relet the Equipment. The amounts received from such reletting may be insufficient to pay the scheduled principal and interest on the Bonds when due. Due to the essential nature of the governmental function of some of the Equipment, it is not certain whether a court would permit the exercise of the remedies of repossession, reletting, or sale with respect thereto. Furthermore, the enforcement of any remedies provided in the Lease and in the Indenture could prove to be both expensive and time-consuming.

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

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

No Acceleration on Default

In the event of default, there is no remedy of acceleration of the total Base Rental payments for the term of the Lease.

Enforcement of Remedies

The enforcement of any remedies provided in the Lease and the Indenture could prove both expensive and time consuming. The rights and remedies provided in the Lease and the Indenture may be limited by and are subject to the limitations on legal remedies against cities and counties in the State, including State constitutional limits on expenditures and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest, by federal bankruptcy laws, as now or hereafter enacted, applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against 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 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights. The legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the Bonds, the Indenture, the Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against charter cities and counties and non-profit public benefit corporations in the State. See "CERTAIN RISK FACTORS—Bankruptcy" herein.

No Liability of Corporation to the Owners

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

Change 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, to amend the laws of the State, the State Constitution or the City's 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, "CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS–Article XIII C and XIII D of the California Constitution."

Bankruptcy

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

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

Although the Corporation's activities are limited and it generally does not have any assets or engage in activities that could give rise to debts and obligations, the City would not be able to prevent the Corporation from filing any petition for bankruptcy. The Corporation has entered into financing leases with the City and has issued bonds, which as of April 1, 2008, amount in the aggregate to $272,730,000 in outstanding principal (including $20,370,000 outstanding under the Indenture). See "APPENDIX A–CITY AND COUNTY OF SAN FRANCISCO–Organization and Finances–Lease Payments and Other Long-Term Obligations"; "APPENDIX C–COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2007", Note 8. In the event the Corporation declared bankruptcy or were declared a bankrupt, the bankruptcy court would have the power to review and abrogate lease arrangements entered into by the Corporation involving the assignment of revenues to other parties, including the Lease and the Indenture. The court could order, at least for some period of time, that the Corporation not allow any of its revenues received from the City under the Lease to be paid over to the Trustee.

CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limits the ability of the City to impose and increase taxes and other revenue sources and to spend such revenues, and which, under certain circumstances, would permit existing revenue sources of the City to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the City's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. A summary of the currently effective limitations is set forth below.

Article XIII A of the California Constitution

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

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

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the California Constitution

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

See APPENDIX C–"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2007" for information on the City's appropriations limit.

Articles XIII C and XIII D of the California Constitution

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

In addition, Article XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIII C, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to taxes levied to repay bonds. The City raises a substantial portion of its revenues from various local taxes which are not levied to repay bonded indebtedness and which could be reduced by initiative under Article XIII C. No assurance can be given that the voters of the City will not approve initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges. See APPENDIX A–"CITY AND COUNTY OF SAN FRANCISCO–Organization and Finances–Other City Tax Revenues" for a discussion of other City taxes that could be affected by Proposition 218.

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

Article XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIII D) for local services and programs. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

Statutory Limitations

On November 4, 1986, California voters adopted Proposition 62, an initiative statute that, among other matters, requires (i) that any new or increased general purpose tax be approved by a two-thirds vote of the local governmental entity's legislative body and by a majority vote of the voters, and (ii) that any new or increased special purpose tax be approved by a two-thirds vote of the voters.

In *Santa Clara County Local Transportation Authority* v. *Guardino,* 11 Cal. 4th 220 (1995) (the "*Santa Clara* decision"), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The

California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition 62. The *Santa Clara* decision did not address the question of whether it should be applied retroactively. In *McBrearty v. City of Brawle*y (1997) 59 Cal. App. 4th 1441, the Fourth District Court of Appeal concluded that the *Santa Clara* decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the *Santa Clara* decision.

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

Proposition 62 as an initiative statute does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since it is a statute, it is subordinate to the authority of charter cities, derived from the state constitution, to impose taxes. Proposition 218, however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution. For a discussion of taxes affected by Proposition 218 see "Articles XIII C and XIII D of the California Constitution" above.

If a court were to conclude that Proposition 62 applies to charter cities, the City's exposure would be limited. The effective date of Proposition 62 was November 1986. Proposition 62 contains provisions that apply to taxes imposed on or after August 1, 1985. Since August 1, 1985, the City has collected taxes on businesses, transient occupancy (hotel rooms), utility use, parking, property transfer, stadium admissions and vehicle rentals. Only the transient occupancy, property transfer and stadium admissions taxes have been restructured or increased since that date. The increase in the stadium admissions tax and a portion of the increase in the transient occupancy tax were ratified by the voters on November 3, 1998 pursuant to a requirement in Proposition 218. With the exception of the vehicle rental tax, the City continues to collect all of the taxes listed above. Since the remaining taxes were adopted prior to August 1, 1985, and have not been increased, these taxes would not be subject to Proposition 62 even if Proposition 62 applied to a charter city. See "APPENDIX A—CITY AND COUNTY OF SAN FRANCISCO—Organization And Finances—Other City Tax Revenues."

Proposition 1A

Proposition 1A, proposed by the State's legislature in connection with the State's Fiscal Year 2004-05 Budget, 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. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the 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 currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, 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 spending on other State programs or other action, some of which could be adverse to the City.

Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62 and 1A 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.

THE CORPORATION

The Corporation is a non-profit public benefit corporation duly organized and validly existing under the Nonprofit Public Benefit Corporation Law (Section 5110 *et seq*. of the California Corporations Code). The Corporation was formed in 1991 by the Chief Administrative Officer of the City pursuant to a resolution of the Board of Supervisors of the City. The purpose of the Corporation is to provide a means to finance, through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes.

Governance and Administration

The Corporation is governed by a Board of Directors. The initial Board of Directors was appointed by the Chief Administrative Officer of the City. Members of the Board of Directors are appointed by the existing Board of Directors to indefinite terms and serve without compensation. The Board of Directors has three members as follows:

Name	Date of Appointment
Marc Stad, President	November 17, 2005
Barry Fishman, Chief Financial Officer	March 15, 2005
Pamela S. Jue, Secretary	February 21, 2008

Mr. Marc Stad has served as President of the Corporation since being sworn in by Mayor Gavin Newsom on November 17, 2005. Presently, Mr. Stad is obtaining his MBA from Stanford University's Graduate School of Business. Prior to entering Stanford, Mr. Stad was an investment professional with Texas Pacific Group in its San Francisco office and previously was with McKinsey & Company in Los Angeles. He also served in Vice President Al Gore's office. Mr. Stad received his A.B. degree in Government from Harvard College.

Mr. Barry Fishman serves as Chief Financial Officer of the Corporation and was sworn in on March 15, 2005. Mr. Fishman served as the chief executive officer of Kravif Manufacturing Co., in Fall River, Massachusetts, manufacturing better ladies apparel. In 1994, he moved to San Francisco to pursue individual business ventures. He has since retired from business and is now teaching full time.

Ms. Pamela S. Jue was appointed to the office of Secretary of the Corporation and sworn in on February 21, 2008. Before her retirement, Ms. Jue practiced law in San Francisco for over 25 years, primarily in the area of public finance.

The Corporation has no employees. Pursuant to an Administrative Services Agreement dated May 23, 1997, between the City and the Corporation, the City provides administrative services to the Corporation.

Outstanding Debt

In addition to the Bonds and the other lease revenue bonds outstanding under its equipment lease program (as of April 1, 2008, in the aggregate principal amount of $20,370,000), the Corporation has issued other bonds secured by separate leases with the City. Additional bonds secured by separate leases with the City may be issued by the Corporation from time to time. See "APPENDIX A–CITY AND COUNTY OF SAN FRANCISCO–Organization and Finances–Statement of Direct and Overlapping Bonded Debt" and "–Lease Payments and Other Long-Term Obligations." No amount received by or on behalf of the Corporation with respect to any other bonds issued by the Corporation is available to secure payment of the Bonds.

TAX MATTERS

In the opinions of Squire, Sanders & Dempsey L.L.P., San Francisco, California, and of Alexis S. M. Chiu, Esq., San Francisco, California, Co-Bond Counsel, under existing law, (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from State of California personal income taxes. An opinion to those effects will be included in the separate legal opinions of Co-Bond Counsel. A complete copy of the proposed form of opinion of each Co-Bond Counsel is set forth in Appendix G. Co-Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds.

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 Corporation and the City to be contained in the transcript of proceedings for the Bonds and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Co-Bond Counsel will not independently verify the accuracy of those certifications and representations.

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

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

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

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

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress, and legislation affecting the exemption of interest thereon for purposes of taxation by California may be considered by the California legislature. Court proceedings, the outcome of which could modify the tax treatment of obligations such as the Bonds, may also be filed. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds, will not have an adverse effect on the tax status of interest on the Bonds or the market value of the Bonds. On November 5, 2007, the United States Supreme Court heard oral arguments in *Dep't of Revenue of Kentucky v. Davis*. In the *Davis* case, the Kentucky Court of Appeals held that Kentucky's exemption from taxation of interest on bonds issued by Kentucky or its political subdivisions and its taxation of interest on bonds issued by other states or their political subdivisions violate the Commerce Clause of the United States Constitution. California exempts from taxation interest on bonds issued by California or its political subdivisions, such as the Bonds, and taxes interest on bonds issued by other states or their political subdivisions. It is not possible to predict how the United States Supreme Court will decide the *Davis* case or to predict any change in California law that would by occasioned by the United States Supreme Court's affirmance of the *Davis* decision, nor is it possible to predict the effect, if any, of that affirmance or any change in California law on the tax status of interest on the Bonds for California tax purposes or on the market value of the Bonds.

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

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

Original Issue Premium

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

Owners of Premium Bonds should consult with their own tax advisors as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Bonds and as to other federal tax consequences and the treatment of bond premium for income tax purposes.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt status of the interest on the Bonds (see "TAX MATTERS") are subject to the separate legal opinions of Squire, Sanders & Dempsey L.L.P., San Francisco, California, and Alexis S. M. Chiu, Esq., San Francisco, California, Co-Bond Counsel. The signed legal opinions of Co-Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds, will be delivered to the initial purchasers of the Bonds at the time of original delivery of the Bonds.

The proposed form of the separate legal opinions of Co-Bond Counsel is set forth in Appendix G hereto. The legal opinions to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. Each opinion will speak only as of its date, and subsequent distributions of it by recirculation of this Official Statement or otherwise shall create no implication that Co-Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. In rendering its opinion, Co-Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Bonds, which Co-Bond Counsel will not have independently verified.

Co-Bond Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by the City Attorney and for the Corporation by Miller Brown & Dannis, San Diego, California, Counsel to the Corporation.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the City (the "Annual Report"), not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for the 2007-08 Fiscal Year, which is due no later than March 27, 2009, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository and the State Repository, if any. The notices of material events will be filed by the City with each Nationally Recognized Municipal Securities Information Repository or with the Municipal Securities Rulemaking Board and with the State Repository, if any. The specific nature of information to be contained in the Annual Report and the notices of material events is summarized in "APPENDIX E–FORM OF CONTINUING DISCLOSURE CERTIFICATE." The City reserves the right to make any of the aforementioned filings through a Central Post Office (as defined in Appendix E hereto). These covenants have been made in order to assist the initial purchaser in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The City has never failed to comply in all material respects with any previous undertakings pursuant to said Rule to provide annual reports or notices of material events.

The City may from time to time, but is not obligated to, post its Comprehensive Annual Financial Report on the Controller's website at www.sfgov.org.controller. In addition, a wide variety of information concerning the City, including financial information in addition to the City's Comprehensive Annual Financial Report, may be available from time to time from the City, City departments and agencies, and their respective publications and websites. Such information may be derived from a number of other sources which the City or City departments and agencies believe to be reliable; however, no representation can or will be made by the City regarding the truth or accuracy of such other information. Any information that is inconsistent with the information set forth in the City's Annual Reports or notices of material events should be disregarded. No such information is a part of or incorporated into the City's Annual Reports or notices of material events, except as expressly noted therein.

NO LITIGATION

No litigation is pending with service of process having been accomplished or, to the knowledge of Corporate Counsel, threatened, concerning the validity of the Bonds, the Lease or the Indenture, and Corporate Counsel will issue an opinion to that effect. In addition, no litigation is pending with service of process having been accomplished or, to the knowledge of the City Attorney, threatened, concerning the validity of the Lease, and the City Attorney will issue an opinion to that effect addressed only to the Corporation and the Board of Supervisors of the City. The opinions of the City Attorney and Corporate Counsel will be furnished to the initial purchaser at the time of the original delivery of the Bonds. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to appropriate or make Base Rental payments.

RATINGS

Moody's Investors Service ("Moody's), Standard & Poor's Rating Services, A Division of The McGraw-Hill Companies, Inc. ("S&P"), and Fitch Ratings ("Fitch") have assigned municipal bond ratings of "A2," "AA-" and "A+," respectively, to the Bonds. Certain information (some of which is not included in this Official Statement) was supplied by the City to the rating agencies to be considered in evaluating the Bonds. The ratings reflect only the views of each rating agency, and any explanation of the significance of any rating may be obtained only from the respective credit rating agencies: Moody's, at 99 Church Street, New York, NY 10007, telephone: (212) 553-0882; S&P, at 55 Water Street, New York, NY 10041, telephone: (212) 438-2000; and Fitch, at One State Street Plaza, New York, NY 10004, telephone

(212) 908-0500. No assurance can be given that any rating issued by any rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal. Any such revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

PROFESSIONALS INVOLVED IN THE OFFERING

Kitahata & Company has acted as Financial Advisor to the Corporation in connection with the issuance, sale and delivery of the Bonds. Kitahata & Company is an independent advisory firm not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Kitahata & Company will receive compensation from the City contingent upon the sale and delivery of the Bonds. Squire, Sanders & Dempsey L.L.P., and Alexis S. M. Chiu, Esq., have acted as Co-Bond Counsel in connection with the issuance, sale and delivery of the Bonds. Co-Bond Counsel will receive compensation from the City contingent upon the sale and delivery of the Bonds. U.S. Bank National Association is acting as trustee and registrar with respect to the Bonds.

SALE OF THE BONDS

The Bonds were sold at competitive bid on April 9, 2008. The Bonds were awarded to UBS Securities LLC (the "Underwriter") at a purchase price of $11,917,026.03. The First Amended and Restated Official Notice of Sale provides that all Bonds will be purchased if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the First Amended and Restated Official Notice of Sale, the approval of certain legal matters by Co-Bond Counsel, and certain other conditions. The Underwriter has represented to the City that the Bonds were reoffered to the public at the prices or yields set forth on the cover page hereof producing net original issuance premium of $84,779.35, of which the Underwriter will retain $52,753.32 as its compensation. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices shown on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

MISCELLANEOUS

References made herein to certain documents, reports and laws are brief summaries thereof that do not purport to be complete or definitive, and the reader is referred to the complete contents of each such document, report and laws.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City or the Corporation and the purchasers or Owners and Beneficial Owners of any of the Bonds. The preparation and distribution of this Official Statement have been authorized by the Corporation and the City. For further information, please contact the Corporation, c/o the Office of Public Finance at (415) 554-6643.

The execution and delivery of this Official Statement have been authorized by the Corporation and the City.

CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION

By: /s/ Marc Stad
President

CITY AND COUNTY OF SAN FRANCISCO

By: /s/ Benjamin Rosenfield
Controller

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

This Appendix contains information that is current as of April 1, 2008.

Government and Organization

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 (the "State"), and is the only consolidated city and county in the State. San Francisco 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 and County of San Francisco (the "City"). Under its original charter, the City committed itself to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. The San Francisco International Airport ("SFO" or the "Airport"), although located 14 miles south of downtown San Francisco in San Mateo County, is owned and operated by the City. 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 respective dates of original acquisition.

In November 1995, the voters of the City approved a new charter, which went into effect in most respects on July 1, 1996 (the "Charter"). As compared to the previous charter, the Charter generally expands the roles of the Mayor and the Board of Supervisors (the "Board of Supervisors") in setting policy and determining budgets, while reducing the authority of the various City commissions, which are composed of appointed citizens. Under the Charter, the Mayor's appointment of a commissioner is subject to approval by a two-thirds vote of the Board of Supervisors. The Mayor appoints each department head from nominations submitted by the appropriate commission.

The City has an elected Board of Supervisors consisting of eleven members and an elected Mayor who serves as chief executive officer. Members of the Board of Supervisors and the Mayor each serve a four-year term. In 2000, a Charter amendment went into effect that changed the Board of Supervisors election system from a Citywide vote to elections by district. 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 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 & Tax Collector, Sheriff, and Public Defender are also elected directly by the citizens and may serve unlimited four-year terms. School functions are carried out by the San Francisco Unified School District (grades K-12) and the San Francisco Community College District (post-secondary). Each is a separate legal entity with a separately elected governing board. The Charter provides a civil service system for most City employees.

Gavin Newsom was elected the 42^{nd} Mayor of the City on December 9, 2003, and was sworn into office on January 8, 2004. Mayor Newsom was re-elected on November 6, 2007, and sworn into his second term of office on January 8, 2008. Mayor Newsom had been elected to the Board of Supervisors three times and served on the Board of Supervisors from 1997 until he was elected Mayor. Mayor Newsom grew up in the San Francisco Bay Area and graduated from Santa Clara University in 1989 with a Bachelor of Arts degree in Political Science.

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO BOARD OF SUPERVISORS					
Name	**District**	**Date Appointed**	**Date Elected**	**Term**	**Current Term Expiration**
Jake McGoldrick	1		Nov-00	2001 - 2005	
			Nov-04	2005 - 2009	2009
Michela Alioto-Pier	2	1/27/2004	N/A	1/27/04 - 1/8/05	
			Nov-04	2005 - 2007	
			Nov-06	2007 - 2011	2011
Aaron Peskin*	3		Nov-00	2001 - 2005	
			Nov-04	2005 - 2009	2009
Carmen Chu	4	9/25/2007	N/A	9/25/07 - 1/11/08	
		1/11/2008	N/A	1/11/08 - 1/8/09	2009
Ross Mirkarimi	5		Nov-04	2005 - 2009	2009
Chris Daly	6		Nov-00	2001 - 2003	
			Nov-02	2003 - 2007	
			Nov-06	2007 - 2011	2011
Sean Elsbernd	7	8/5/2004	N/A	8/5/04 - 1/8/05	
			Nov-04	2005 - 2009	2009
Bevan Dufty	8	12/11/2002	N/A	12/11/02 - 1/8/03	
			Nov-02	2003 - 2007	
			Nov-06	2007 - 2011	2011
Tom Ammiano	9		Nov-94	1995 - 1999	
			Nov-98	1999 - 2001	
			Nov-00	2001 - 2005	
			Nov-04	2005 - 2009	2009
Sophie Maxwell	10		Nov-00	2001 - 2003	
			Nov-02	2003 - 2007	
			Nov-06	2007 - 2011	2011
Gerardo Sandoval	11		Dec-00	2001 - 2005	
			Nov-04	2005 - 2009	2009

* President of the Board of Supervisors.

Aaron Peskin, president of an environmental non-profit organization, was elected to the Board of Supervisors in 2000 and re-elected in November 2004. He was elected President of the Board of Supervisors by a majority of the Supervisors in January 2005 and again in January 2007. Tom Ammiano, former member of the Board of Education, was elected to the Board of Supervisors in 1994 and re-elected in 1998, 2000 and 2004. The following Supervisors were also elected in November 2000: Jake McGoldrick, a college English teacher; Chris Daly, an affordable housing organizer; Sophenia (Sophie) Maxwell, an electrician; and Gerardo Sandoval, a deputy public defender. Of these, Chris Daly and Sophie Maxwell were elected to two-year terms in 2000 and were re-elected in November 2002. Bevan Dufty, a former Congressional aide and Neighborhood Services Director of the City, was elected to a four-year term on the Board of Supervisors on December 10, 2002. Michela Alioto-Pier was appointed to the Board of Supervisors in January 2004 and elected to a four-year term in November 2006. She previously served on the San Francisco Port Commission. Sean Elsbernd was appointed to the Board of Supervisors in August 2004. He previously served as liaison to the Board of Supervisors in the Mayor's Office, a legislative aide to the Board of Supervisors, and Co-Director of the Congressional Human Rights Caucus. Jake McGoldrick, Sean Elsbernd and Gerardo Sandoval were elected to additional four-year terms in November 2004 along with Ross Mirkarimi, an investigator for the District Attorney's Office. Carmen Chu, a former deputy director in the Mayor's Office of Public Policy and Finance, was appointed to fill the vacancy left by the resignation of Supervisor Ed Jew in September 2007. Table A-1 shows a summary of the eleven elected Board of Supervisors and their respective terms served.

Dennis J. Herrera, City Attorney, was elected to a four-year term on December 11, 2001, and assumed office on January 8, 2002. Mr. Herrera was re-elected to a four-year term in November 2005. Before becoming City Attorney, Mr. Herrera was 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. Mr. Herrera received his law degree from George Washington University School of Law and became a member of the California Bar in 1989.

Benjamin Rosenfield serves as the City Controller. Mr. Rosenfield was appointed to a 10-year term as Controller by Mayor Gavin Newsom and confirmed by the Board of Supervisors in March 2008. As Chief Fiscal Officer and Auditor, he monitors spending for all officers, departments and employees charged with receipt, collection or disbursement of City funds, including those in the $6.08 billion fiscal year 2007-08 budget. The City Controller certifies the accuracy of budgets, receives and disburses funds, estimates the cost of ballot measures, provides payroll services for the City's employees and directs performance and financial audits of City activities. Before becoming Controller, Mr. Rosenfield served as the Deputy City Administrator under City Administrator Edwin Lee from 2005 to 2008. He was responsible for preparation and monitoring of the City's 10-year capital plan, oversight of a number of internal service offices under the City Administrator, and work implementing the City's new 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 Mayor Gavin Newsom. As Budget Director, Mr. Rosenfield prepared the City's proposed budget for each fiscal year and worked on behalf of the Mayor to manage city spending during the course of each year. From 1997 to 2001 Mr. Rosenfield worked as an analyst in the Mayor's Budget Office and a project leader in the Controller's Office. Mr. Rosenfield succeeds Edward Harrington who served as the Controller, following the Mayor' appointment of Mr. Harrington to the position of General Manager of the San Francisco Public Utilities Commission.

José Cisneros was appointed Treasurer & Tax Collector for the City by Mayor Newsom and was sworn in on September 8, 2004. Mr. Cisneros was then elected to a four-year term in November 2005. Prior to being appointed Treasurer & Tax Collector, Mr. Cisneros served as Deputy General Manager, Capital Planning and External Affairs for the San Francisco Municipal Transportation Agency (the "MTA").

Philip Y. Ting was appointed Assessor-Recorder for the City by Mayor Newsom and was sworn in on July 21, 2005. Mr. Ting was then elected on November 8, 2005 and elected to a four-year term on November 7, 2006. Mr. Ting's professional experience includes positions as senior consultant for Arthur Andersen, Associate Director of Governmental and Community Relations at San Francisco State University, and former Executive Director of the Asian Law Caucus.

Under the Charter, the City Administrator is a non-elective office appointed by the Mayor for a five-year term and confirmed by the Board of Supervisors. On April 26, 2005, Edwin Lee, then the City's Director of Public Works, was appointed by Mayor Newsom as the City Administrator. He has previously worked as the City's Director of Purchasing and as the Director of the Human

Rights Commission. Mr. Lee has also served as the Deputy Director of the Employee Relations Division and coordinator for the Mayor's Family Policy Task Force.

City Budget and Finances

General

The City Controller's Office is responsible for processing all payroll, accounting and budget information for the City. All payments to City employees and to parties outside the City are processed and controlled by this office. No obligation to expend City funds can be incurred without a prior certification by the City Controller that sufficient revenues are or will be available in the then - current fiscal year, which ends June 30, to meet such obligation as it becomes due. The City Controller monitors revenues throughout the fiscal year, and if actual revenues are less than estimated, the City Controller may freeze department appropriations or place departments on spending "allotments" which will constrain department expenditures until estimated revenues are realized. If revenues are in excess of what was estimated, or budget surpluses are created, the City Controller can certify these surplus funds as a source for supplemental appropriation that may be adopted throughout the year upon approval of the Mayor and the Board of Supervisors. The City's annual expenditures are often different from the estimated expenditures in the Annual Appropriation Ordinance or "Original Budget" due to supplemental appropriations, continuing appropriations of prior years and unexpended current year funds.

Charter Section 3.105 directs the City Controller to issue periodic or special financial reports during the fiscal year. Each year, the City Controller issues detailed Six-Month and Nine-Month Budget Status Reports to apprise the City's policy makers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The Charter and Administrative Code of the City require the City Controller, the Mayor's Budget Director and the Budget Analyst for the Board of Supervisors to issue annually a Three-Year Budget Projection to report on the City's financial condition. The most recent reports can be viewed at the City Controller's website at www.sfgov.org/controller. (These reports are not incorporated by reference herein.)

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 other information that is inconsistent with the information set forth in this Appendix A should be disregarded and no such other information is a part of or incorporated into this Appendix A.

Budget Process

The City's budget process begins in the middle of the preceding fiscal year as departments prepare their budgets and seek any required approval thereof by 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. Next, the Mayor is required to submit a proposed budget for selected departments, based on criteria set forth in the Administrative Code, to the Board of Supervisors by the first working day of May. On or before the first working day of June, the Mayor is required to submit the complete (all departments) budget to the Board of Supervisors.

Following the submission of the Mayor's proposed budget, the City Controller provides an opinion to the Board of Supervisors regarding the accuracy of economic assumptions underlying the revenue estimates and the reasonableness of such estimates and revisions in the proposed budget. The City Controller may also recommend reserves that are considered prudent given the proposed resources and expenditures contained in the Mayor's proposed budget. The City's Capital Planning Committee also reviews the proposed budget and provides recommendations based on its 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 Plan" below.

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 is not greater than the total budgeted appropriation amount submitted by the Mayor. The Board of Supervisors must adopt the Annual Appropriation Ordinance (also referred to herein as the "Original Budget") no later than the last working day of July each year, after which it is subject to the approval or veto of the Mayor as described below.

Following the adoption and approval of the Annual Appropriation Ordinance, the City makes various revisions throughout the fiscal year (the Original Budget plus any changes made to date are collectively referred to herein as the "Revised Budget"). A "Final Revised Budget" is prepared at the end of the fiscal year reflecting the year-end's final revenue and expenditure appropriation for such fiscal year. The Mayor presented the fiscal year 2007-08 proposed budget to the Board of Supervisors on June 1, 2007. The Board of Supervisors adopted the fiscal year 2007-08 Original Budget (Ordinance No. 174-07) on July 24, 2007, and the Mayor signed this legislation on July 27, 2007.

The Mayor has line-item veto authority over specific items in the budget. Additionally, in the event the Mayor were to disapprove the entire budget ordinance, the Charter directs the Mayor to promptly return the budget ordinance to the Board of Supervisors, accompanied by a statement indicating the reasons for disapproval and any recommendations which the Mayor may have. Any budget 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 as required by Section 2.106 of the Charter.

Overall, the fiscal year 2007-08 Original Budget assumed a continued gradual recovery in discretionary General Fund revenues from prior-year levels. The achievement of the revenue estimates is dependent upon a variety of known and unknown factors, including the general economy of the San Francisco Bay Area and the State, and certain State budget decisions, which could have either a positive or negative impact on City revenues. These conditions and circumstances may cause the actual results achieved by the City to be materially different from the estimates and projections described herein.

Under the Charter, the Treasurer & Tax Collector, 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 pooled investment fund. The operating cash reserve is available to cover cash flow deficits in various City funds, including the City's General Fund. From time to time, the Treasurer & Tax Collector 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 funds of the City. Any such transfers must be and have been repaid within the same fiscal year in which the transfer was made together with interest at the rate earned on the pooled funds at the time the funds were used. The City has not issued tax and revenue anticipation notes ("TRANs") to finance cash flow needs since fiscal year 1996-97 nor does the City anticipate issuing TRANs for fiscal year 2008-09. See "—Investment Policy" below.

Additionally, in November 2003, voters approved the creation of the City's Rainy Day Reserve into which the previous Charter-mandated cash reserve was incorporated. Charter Section 9.113.5 requires that if the City Controller projects total General Fund revenues for the upcoming budget year will exceed total General Fund revenues for the current year by more than five percent, then the City's budget shall allocate the anticipated General Fund revenues in excess of that five percent growth as follows:

(i) 50 percent of the excess revenues to the Rainy Day Economic Stabilization account;
(ii) 25 percent of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
(iii) 25 percent of the excess revenues to any lawful governmental purpose.

The Rainy Day Reserve's Economic Stabilization account is subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be allocated to capital and other one-time expenditures. Moneys in the Rainy Day Reserve's Economic Stabilization account are available to provide a budgetary cushion in years where General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Moneys in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives.

Capital Plan

In October 2005 the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The City Administrator, in conjunction with a capital planning committee composed of other City finance and capital project officials (the "Capital Planning Committee"), is directed to develop and submit an annual ten-year capital plan (the "Capital Plan") each year for approval by the Board of Supervisors. The Capital Plan provides an assessment of the City's infrastructure needs over such period, investments required to meet the needs identified and a plan of finance to fund these investments. Although the Capital Plan provides cost estimates and proposes methods to finance such costs, the document does not reflect any commitment by the Board of Supervisors to expend such amounts or to adopt any specific financing method. The Capital Plan is required to be updated and adopted annually in parallel with the budget process. The Capital Planning Committee is also charged with reviewing the annual capital budget submission and all long-term financing proposals, and providing recommendations to the Board of Supervisors relating to the compliance of any such proposal or submission with the adopted Capital Plan.

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 and is due to be adopted by the Board of Supervisors and the Mayor on or before each May 1. The fiscal year 2008-17 Capital Plan (the "Plan") was submitted to the Mayor and the Board of Supervisors on March 1, 2007. The Plan was adopted by the Board of Supervisors on March 27, 2007 (Resolution 145-07) and signed by the Mayor on April 2, 2007. The Plan totaled $17.4 billion, including $3.8 billion of General Fund supported projects. (The Plan is not incorporated by reference herein.) The fiscal year 2007-08 Original Budget included $69.9 million of General Fund support for the City's capital needs. The fiscal year 2009-18 Capital Plan (the "Proposed Plan") was approved by the Capital Planning Committee on February

25, 2008, and has been introduced at the Board of Supervisors, which must approve the Plan by resolution by May 1, 2008. The Proposed Plan proposes $19.71 billion in capital investment over the coming decade including $4.76 billion in General Fund supported projects. The Proposed Plan also recommends $60.5 million for General Fund pay-as-you-go capital projects.

General Fund Results

The fiscal year 2007-08 Original Budget totaled $6.08 billion, of which $2.92 billion was allocated to the General Fund and $3.16 billion was allocated to all other funds. Such other funds include expenditures of other governmental funds and enterprise fund departments such as the Airport, the Municipal Transportation Agency ("MTA"), the Public Utilities Commission ("PUC", which includes the Water Enterprise, the Wastewater Enterprise, and the Hetch Hetchy Water and Power System), the Port, and the City-owned Hospitals (San Francisco General and Laguna Honda). A detailed review of both revenues and expenditures was completed and published on February 7, 2008 in the City Controller's fiscal year 2007-08 Six-Month Budget Status Report ("Six-Month Budget Status Report"). On March 21, 2008 the Mayor's Budget Director, the Board of Supervisors' Budget Analyst, and the City Controller published the Joint Report (the "Joint Report"), as required by Administrative Code Section 3.6, which includes updated current-year projections as well as projected revenues and expenditure changes, assuming status quo operations, over the upcoming three fiscal years, fiscal years 2008-09 through 2010-11. (These reports are not incorporated by reference herein.)

The City's most recently completed Comprehensive Annual Financial Report ("CAFR," which includes the City's audited financial statements) for fiscal year 2006-07 was issued on December 21, 2007. The fiscal year 2006-07 CAFR reported that the audited General Fund unreserved and available for appropriation fiscal year-end fund balance as of June 30, 2007 was $131.88 million, $12.99 million more than the $118.89 million assumed in the fiscal year 2007-08 Original Budget. This $12.99 million resulted primarily from additional expenditure savings in fiscal year 2006-07. In addition to this available year-end General Fund balance, the City's two Rainy Day Reserve accounts grew and by June 30, 2007 together totaled approximately $133.62 million ($117.56 million in the Economic Stabilization account, and $16.07 million in the One-Time Spending account). By way of comparison, the Joint Report published on March 21, 2008 projects the fiscal year end 2007-08 General Fund available fund balance to be $7.6 million.

Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2003-04, 2004-05, 2005-06, and 2006-07, and the Original Budget for fiscal year 2007-08.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for

Fiscal Years 2003-04 through 2007-08
(000s)

	FY 2003-04 Final Revised Budget	FY 2004-05 Final Revised Budget	FY 2005-06 Final Revised Budget	FY 2006-07 Final Revised Budget	FY 2007-08 Original Budget
Prior-Year Budgetary Fund Balance & Reserves	$207,167	$222,611	$324,724	$478,001	$142,392
Budgeted Revenues					
Property Taxes	$527,767	$645,495	$696,660	$837,543	$934,720
Business Taxes	288,619	295,230	288,320	332,168	359,718
Other Local Taxes	371,251	381,389	413,712	477,804	531,920
Licenses, Permits and Franchises	17,074	16,132	19,128	20,917	22,075
Fines, Forfeitures and Penalties	31,843	12,196	11,475	4,899	3,899
Interest and Investment Earnings	12,579	6,490	11,393	33,994	35,481
Rents and Concessions	19,316	21,902	19,583	20,138	19,806
Grants and Subventions	663,997	612,970	685,948	667,683	708,314
Charges for Services	107,847	119,637	130,773	133,331	137,167
Other	19,296	29,061	13,090	13,809	14,817
Total Budgeted Revenues	$2,059,589	$2,140,502	$2,290,083	$2,542,286	$2,767,918
Bond Proceeds & Return of Excess Deposits	31,207	596	597	901	1,278
Expenditure Appropriations					
Public Protection	$668,872	$699,088	$743,958	$804,082	$864,901
Public Works, Transportation & Commerce	60,467	63,250	46,708	55,679	55,531
Human Welfare & Neighborhood Development	507,740	525,887	548,935	578,581	633,914
Community Health	445,236	419,404	453,716	428,460	468,612
Culture and Recreation	93,017	92,245	81,126	93,091	101,855
General Administration & Finance [1]	131,959	122,666	140,674	178,318	187,551
General City Responsibilities	83,406	62,541	53,601	61,834	75,518
Total Expenditure Appropriations	$1,990,697	$1,985,081	$2,068,718	$2,200,045	$2,387,882
Budgetary reserves and designations, net	$9,301	$13,487	$22,712	$20,539	$56,110
Transfers In	$150,354	$161,840	$108,902	$62,659	$62,308
Transfers Out	(292,664)	(339,436)	(436,092)	(498,202)	(529,904)
Net Transfers In/Out	($142,310)	($177,596)	($327,190)	($435,543)	($467,596)
Budgeted Excess (Deficiency) of Sources					
Over (Under) Uses	$155,655	$187,545	$196,784	$365,061	$0
Variance of Actual vs. Budget	66,956	137,179	281,217	198,374	
Total Actual Budgetary Fund Balance	$222,611	$324,724	$478,001	$563,435	$0

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

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

The City prepares its budget on a modified accrual basis. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. The audited General Fund balance as of June 30, 2007 was $541.46 million prepared using Generally Accepted Accounting Principles ("GAAP"). Such General Fund balance was derived from audited revenues of $2.65 billion for the fiscal year ended on June 30, 2007. Audited General Fund balances are shown in Table A-3 on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2004, 2005, 2006, and 2007.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
General Fund Balances
Fiscal Year Ended June 30
Audited
(000s)

	2004	2005	2006	2007
Reserved for rainy day (Economic Stabilization account)	$55,139	$48,139	$97,910	$117,556
Reserved for rainy day (One-time Spending account)			24,066	16,066
Reserved for encumbrances	42,501	57,762	38,159	60,948
Reserved for appropriation carryforward	32,813	36,198	124,009	161,128
Reserved for subsequent years' budgets				
Reserved for baseline appropriation funding mandates	-	6,223	5,232	2,891
Reserved for budget savings incentive program (citywide)	2,588	2,628	2,628	10,540
Reserved for budget savings incentive program (Recreation & Park)	-	3,075	3,366	-
Reserved for salaries and benefits (MOU)	3,654	9,150	13,349	11,806
Reserved for litigation	2,940	-	2,877	6,824
Total Reserved Fund Balance	$139,635	$163,175	$311,596	$387,759
Unreserved - designated for litigation & contingency	$27,970	$24,370	$20,823	$43,794
Unreserved - available for appropriation	55,006	137,179	145,582	131,882
Total Unreserved Fund Balance	$82,976	$161,549	$166,405	$175,676
Total Fund Balance, Budget Basis	$222,611	$324,724	$478,001	$563,435
Budget Basis to GAAP Basis Reconciliation				
Total Fund Balance - Budget Basis	$222,611	$324,724	$478,001	$563,435
Unrealized gain on investments	277	224	(562)	(376)
Reserved for Assets Not Available for Appropriation	7,142	9,031	10,710	12,665
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(19,882)	(24,419)	(23,806)	(30,940)
Deferred Charges and Other Redevelopment Agency Repayments	287	(1,880)	(3,067)	(3,323)
Total Fund Balance, GAAP Basis	$210,435	$307,680	$461,276	$541,461

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

Table A-4, entitled "Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's CAFR for the five most recent fiscal years. Audited financials for the fiscal year ended June 30, 2007 are included herein as Appendix C—"THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2007." Prior years' audited financial statements can be obtained from the City Controller's website. (These reports are not incorporated by reference herein.) Excluded from these General Fund financial statements are special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) as well as all of the enterprise operations of the City, each of which prepares separate audited financial statements.

TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenditures and Changes in General Fund Balances (000s)
Fiscal Year Ended June 30
Audited

	2003	**2004**	**2005**	**2006**	**2007**
Revenues:					
Property Taxes	$516,955	$547,819	$705,949	$783,303	$887,690
Business Taxes	276,126	264,351	292,172	322,407	336,757
Other Local Taxes	345,735	403,549	428,244	480,501	540,695
Licenses, Permits and Franchises	16,217	17,501	19,427	20,825	19,639
Fines, Forfeitures and Penalties	5,595	22,158	9,536	10,195	4,720
Interest and Investment Income	7,798	3,222	8,374	22,496	30,089
Rents and Concessions	17,576	17,497	20,468	20,007	18,449
Intergovernmental	667,172	660,243	604,535	672,635	663,321
Charges for Services	93,840	95,951	115,812	126,433	125,682
Other	11,880	29,564	12,277	15,037	21,697
Total Revenues	$1,958,894	$2,061,855	$2,216,794	$2,473,839	$2,648,739
Expenditures:					
Public Protection	$695,693	$670,729	$697,450	$739,470	$809,075
Public Works, Transportation & Commerce	57,458	58,711	60,628	46,448	65,184
Human Welfare and Neighborhood Development	492,083	488,853	503,874	524,516	568,241
Community Health	424,302	413,725	413,110	377,226	410,169
Culture and Recreation	96,959	92,978	87,023	80,516	93,992
General Administration & Finance	130,786	128,135	120,400	146,567	157,981
General City Responsibilities	52,308	74,631	62,185	53,065	56,834
Total Expenditures	$1,949,589	$1,927,762	$1,944,670	$1,967,808	$2,161,476
Excess of Revenues over Expenditures	$9,305	$134,093	$272,124	$506,031	$487,263
Other Financing Sources (Uses):					
Transfers In	$105,211	$121,491	$152,288	$62,431	$71,277
Transfers Out	(303,216)	(277,464)	(330,230)	(420,086)	(486,600)
Other Financing Sources	4,621	36,003	3,063	5,220	8,245
Other Financing Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	($193,384)	($119,970)	($174,879)	($352,435)	($407,078)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	($184,079)	$14,123	$97,245	$153,596	$80,185
Total Fund Balance at Beginning of Year	380,391	196,312	210,435	307,680	461,276
Total Fund Balance at End of Year -- GAAP Basis [1]	$196,312	$210,435	$307,680	$461,276	$541,461
Unreserved & Undesignated Balance, Year End					
-- GAAP Basis	$44,718	$63,657	$134,199	$138,971	$141,037
-- Budget Basis	$47,851	$55,006	$137,179	$145,582	$131,882

[1] 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).

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

Three-Year Budget Projection Report

Section 3.6 of the City's Administrative Code requires the City Controller, the Mayor's Budget Director and the Board of Supervisors' Budget Analyst to jointly publish an annual three-year estimated summary budget (the "Joint Report"). This summary includes a review of all major revenue and expenditure assumptions impacting the upcoming three years for the City's General Fund-supported operations, including the City's two hospitals, San Francisco General and Laguna Honda. The Administrative Code further requires that the Mayor and Board of Supervisors consider the three-year budget projection when composing the City's budget for the next fiscal year.

The most recent Joint Report was published on March 21, 2008 and covered the projection period of fiscal years 2008-09 through 2010-11. The Joint Report-projected a shortfall of $338.4 million for fiscal year 2008-09, followed by a shortfall of $45.9 million for fiscal year 2009-10, and a shortfall of $40.7 million for fiscal year 2010-11. The projected shortfall of $338.4 million in FY 2008-09 is primarily due to four factors: 1) the loss of $167.5 million in fund balances and prior year reserves as a funding source, 2) an increase of $117.7 million in personnel-related costs related to negotiated wage increases, employee benefit cost increases, and the annualization of positions added in the fiscal year 2007-08 budget, 3) an increase of $60.0 million in voter-mandated baseline spending and newly-approved voter mandates passed in November 2007, and 4) an increase of $62.9 million in Citywide and departmental costs for items including facilities maintenance, inflationary increases assumed on supplies and contracts, inmate incarceration costs at the Sheriff's Department, fixtures and equipment at the rebuilt Laguna Honda Hospital, as well as other various operating costs. These cost increases are projected to be only partially offset by revenue growth. Possible repayment to the U.S. Department of Justice of $9.3 million in grant funds received by the City for assisting in federal border-related prosecutions is included in the projected shortfall described in the Joint Report.

Previous Joint Reports have also included projections of shortfalls. For example, prior Joint Reports, projected first-year shortfalls of $347.2 million in fiscal year 2003-04, $299.3 million in fiscal year 2004-05, $102.2 million in fiscal year 2005-06, $12.5 million in fiscal year 2006-07, and $25.4 million in fiscal year 2007-08. In each of these prior years, the City adopted a balanced budget.

The City's latest Joint Report is posted on the City Controller's website at www.sfgov.org/controller. (The Joint Report is not incorporated by reference herein.)

Impact of State Budget

Revenues from the State represented 16.9% of the fiscal year 2007-08 General Fund Original Budget, and thus changes in the State budget may have a significant impact on the City's budget. Each year the Governor of the State releases two primary proposed budget documents for the State: 1) the January Proposed Budget; and 2) the May Revise to the January Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, then the Governor signs what becomes known as the State's Adopted Budget. Given the City's revenue dependency on State funding, each year City policy makers review and consider the budgetary impact of projected changes related to both the January and May Revise Budgets prior to the City adopting its own budget.

The State has had structural deficits for several years. In addressing these shortfalls in the recent past, the State has reduced revenues provided to local governments, including the City. It is not possible to predict with certainty how future State Budgets may adversely affect the City. Final funding provisions in the State's Adopted Budget for fiscal year 2007-08 were largely anticipated in the City's fiscal year 2007-08 Original Budget. Key provisions assumed in the City's Original Budget included the continued shifting to the Educational Revenue Augmentation Fund ("ERAF") of funds that would otherwise have accrued to the City's General Fund in the estimated amount of $306.95 million. The State continues to offset partially the ERAF shift by in-lieu sales tax backfill funding related to the Proposition 57 Economic Recovery Bonds and in-lieu vehicle license fee ("VLF") backfill funding related to the permanent rollback of such fees in fiscal year 2003-04. (For further discussion of the effect of these "Triple Flip" backfill funding shifts, please see "Assessed Valuations, Tax Rates and Tax Delinquencies" below.) Programmatic funding changes included in the State's Adopted Budget have been reflected in the City's fiscal year 2007-08 Original Budget and backfilled with discretionary funding where applicable. The City also benefited more than anticipated in the City's fiscal year 2007-08 Original Budget from $8.89 million in additional Proposition 1B State funds for street resurfacing included in the State's Adopted Budget.

The Governor's fiscal year 2008-09 Proposed Budget, as issued in January 2008, projects a $14.5 billion shortfall. At this time, the City estimates the effect of the Proposed Budget on the City's budget will be a General Fund loss of $41.1 million, due largely to cuts in health and human services programs as well as delays in reimbursements for State-mandated programs. These cuts are assumed to occur beginning in mid-fiscal year 2007-08 and extend into FY 2008-09. The Governor's May Revise Budget may differ materially from the January Proposed Budget, and the final effect on the City's General Fund will depend on both State Legislature and local policymaker decisions to backfill state cuts. The City will continue to monitor State Budget developments, and the City Controller will report on any developments in its upcoming Nine-Month Budget Status Report and in the Controller's Discussion of the Mayor's fiscal year proposed 2008-09 Budget.

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-4 provides a five-year 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 permitted by Proposition 13, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-4 includes taxes assessed on behalf of the City as well as the San Francisco Unified School District, the San Francisco Community College District, the Bay Area Air Quality Management District, and the Bay Area Rapid Transit (BART) District, all of which are separate legal entities from the City. See also Table A-11 "—Statement of Direct and Overlapping Debt and Long-Term Obligations" below. Additionally, a portion of property taxes collected within the City is allocated to the San Francisco Redevelopment Agency.

As shown below, total assessed value has increased on average by 7.3% per year since fiscal year 2003-04. Property tax delinquencies have remained low in San Francisco, ranging from 1.96% to 2.77% since fiscal year 2003-04. The delinquency rate for fiscal year 2006-07 was 2.77%.

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO Assessed Valuation of Taxable Property [1] Fiscal Years 2003-04 through 2007-08 ($000s)									
Fiscal Year	Real Property	Personal Property	Total Assessed Valuation	% Change from Prior Year	Exclusions[2]	Total Tax Rate per $100[3]	Total Tax Levy (000s)[4]	Delinquency Rate June 30	
2003-04	98,284,545	3,808,383	102,092,928	4.7%	3,947,660	1.107	1,100,951	1.96%	
2004-05	105,124,863	3,675,195	108,800,058	6.6%	4,328,770	1.144	1,208,044	2.32%	
2005-06	112,570,003	3,476,725	116,046,728	6.7%	4,640,538	1.140	1,291,491	2.18%	
2006-07	121,314,223	3,506,008	124,820,231	7.6%	4,949,252	1.135	1,411,316	2.77%	
2007-08	131,966,641	3,547,014	135,513,655	8.6%	5,509,177	1.141	1,483,351	n/a	[5]

[1] For comparison purposes, all years show full cash value as assessed value.
[2] Exclusions include non-reimbursable exemptions and homeowner exemptions.
[3] Total secured tax rate includes bonded debt service for the City, San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, and San Francisco Redevelopment Agency. Annual tax rate for unsecured property is the same rate as the previous year's secured tax rate.
[4] The final levy for fiscal year 2007-08 is based on the Certificate of Assessed Valuation and does not represent audited figure, which will be available when the City's audited financial statements for this fiscal year is published.
[5] The fiscal year 2007-08 actual delinquency rate will be available in late September 2008.

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

For fiscal year 2007-08, total assessed valuation of taxable property within the City is $135.51 billion. After deducting non-reimbursable and homeowner exemptions, net assessed valuation is $130.00 billion. Of this total, $122.28 billion (94.1%) represents secured valuations and $7.72 billion (5.9%) represents unsecured valuations. (See below for a further discussion of secured and unsecured property valuations.) Total property tax revenues for all taxing entities are budgeted to be $1.49 billion before reflecting delinquencies. A portion of property tax revenues is applied to pay debt service for general obligation bonds issued by the City, the San Francisco Unified School District, the San Francisco Community College District, and the Bay Area Rapid Transit District. The City's General Fund is allocated about 50% of total property tax revenue before adjusting for the State's Triple Flip (where Proposition 57 dedicated one quarter of one percent of local sales taxes, which were subsequently backfilled by a decrease to the amount of property taxes shifted to ERAF from local governments, thereby leaving the State to fund a like amount from the State's General Fund to meet Proposition 98 funding requirements for schools) and VLF backfill shifts. After adjusting for these State-mandated shifts, General Fund property tax revenues of $934.72 million were assumed in the fiscal year 2007-08 Original Budget. The San Francisco Community College District, the San Francisco Unified School District and the ERAF are estimated to receive $17.88 million, $95.28 million and $306.89 million (before adjusting for the State's Triple Flip sales tax and VLF backfill shifts), respectively. The San Francisco Redevelopment Agency is budgeted to receive $78.54 million. The remaining portion is allocated to various other governmental bodies, various special funds, general obligation bond debt service funds, and other taxing entities. For fiscal year 2007-08 the City Controller's Office is projecting an additional $27.51 million of General Fund property tax revenues as of the Joint Report in large part due to higher supplemental assessments, improved assessment appeals experience to date, and increased State sales tax and VLF backfill revenues to date.

Under Article XIIIA of the State Constitution, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with the counties' property assessments. Property owners in the City filed 847 new applications for assessment appeal during fiscal year 2007-08 through February 29, 2008. Taxpayers had until September 17, 2007 to file assessment appeals for secured property for fiscal year 2007-08. As in every year, some appeals are multiple-year or retroactive in nature. With respect to the fiscal year 2007-08 levy, property owners representing approximately 8.5% of the total assessed valuation in the City filed appeals for a partial reduction of their assessed value. This reflects a decrease in the amount appealed from the prior fiscal year 2006-07, where property owners representing approximately 13.2% of total assessed valuation filed for a partial reduction of their assessed value. Most of the appeals involve large commercial properties, including offices.

The City typically experiences increases in assessment appeals activity during economic downturns and decreases as the economy rebounds. Historically during severe economic downturns, partial reductions of up to approximately 20.0% to 30.0% of the assessed valuations appealed have been granted. Assessment appeals granted typically result in revenue refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. For example, if the appeals totaling 8.5% of assessed valuation pertaining to the fiscal year 2007-08 levy were to be granted, and an average reduction of 25.0% is assumed, the City would expect to issue refunds equal to 2.1% of total property tax revenue. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS" in the forepart of this Official Statement.

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 on separate parts of the assessment roll maintained by the County 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 County 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 10.0% 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 & Tax Collector of the

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

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. This apportionment method authorizes the City Controller to allocate to the City's taxing agencies 100.0% 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. This reserve has been funded at \$8.93 million as of June 30, 2004, \$10.08 million as of June 30, 2005, \$10.06 million as of June 30, 2006, and \$13.18 million as of June 30, 2007.

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization (the "SBE"). 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 SBE, 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 valuation of property assessed by the State Board of Equalization is \$2.13 billion, as recorded on the most recent certificate of assessed valuation. The fiscal year 2007-08 general fund tax revenues from State-assessed property is \$16.91 million.

Assessed valuations ("AV") of the aggregate taxable property holdings of the ten largest assessees in the City for the fiscal year ending June 30, 2007 are shown in Table A-6.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Principal Property Assessees
Fiscal Year Ended June 30, 2007

Assessee	Type of Business	AV ($000s) [1]	% Total AV
HWA 555 Owners LLC	Office, Commercial	$ 868,020	0.74%
EOP - One Market LLC	Office, Commercial	433,499	0.37%
Marriott Hotel	Hotel	405,542	0.35%
Four Embarcadero Center Venture	Office, Commercial	365,081	0.31%
Post-Montgomery Associates	Office, Commercial	355,945	0.30%
One Embarcadero Center Venture	Office, Commercial	314,699	0.27%
Three Embarcadero Center Venture	Office, Commercial	296,043	0.25%
Embarcadero Center Associates	Office, Commercial	294,873	0.25%
Emporium Mall LLC	Shopping Center	293,703	0.25%
101 California Venture	Office, Commercial	293,372	0.25%
Ten Largest Assessees		$ 3,920,777	3.34%

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

[1] Represents the Assessed Valuation as of the Basis of Levy, which excludes escape assessments processed during the fiscal year.

Other City Tax Revenues

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

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

Business Taxes

Businesses in the City may be subject to two types of tax. The first is a payroll expense tax, assessed at a rate of 1.5% on gross payroll expense attributable to all work performed or services rendered within the City. The tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. The City also levies a registration tax on businesses which varies from $25 to $500 per year per subject business.

The fiscal year 2007-08 Original Budget includes $8.69 million in business registration revenues and $351.03 million in payroll tax revenues accruing to the General Fund. This compares to fiscal year 2006-07 actual amounts of $8.24 million in business registration revenues and $328.52 million in payroll tax revenues. The Joint Report projects business payroll tax revenue for fiscal year 2007-08 to be $4.49 million, which reflects an 8.2% increase over fiscal year 2006-07 actual collections.

Prior to April 23, 2001, the City imposed an alternative-measure tax pursuant to which a business's tax liability was calculated as a percentage of either its gross receipts or its payroll expense, whichever amount was greater. Between 1999 and 2001, approximately 325 businesses filed claims with the City and/or lawsuits against the City arguing that the alternative-measure tax violated the Commerce Clause of the United States Constitution. In 2001, the City entered into a settlement agreement resolving most of these lawsuits and claims for considerably less than the total amount of outstanding claims. Concurrently with the settlement of the lawsuits, the City repealed the alternative-measure tax in 2001. All claims were required to be filed by November 2001, and at this time any payments related to lawsuits or claims already filed that remain unsettled, including the Macy's Federated case described below, are expected to be covered by contingency reserves set aside by the City.

In October 2006 the First District Court of Appeal rejected the argument of Macy's Federated that it was entitled to a full refund of all taxes paid and adopted the City's proposed remedy as to the calculation of the award payable to Macy's Federated. Based on this ruling, this refund amount is expected to total several hundred thousand dollars. On April 14, 2007, Macy's Federated filed a petition for writ of certiorari with the United States Supreme Court. The United States Supreme Court denied the petition for writ of certiorari on June 25, 2007, and the case has been remanded to the trial court for determination of the actual refund amount.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Receipts ($000's)
Fiscal Years 2003-04 through 2007-08
All Funds

Fiscal Year	Revenue	Change	
2003-04	$ 264,832	$ (11,819)	-4.3%
2004-05	292,762	27,930	10.5%
2005-06	323,152	30,390	10.4%
2006-07	337,592	14,440	4.5%
2007-08 budget	360,553	22,961	6.8%

Actuals shown through fiscal year 2006-07. Includes both Payroll Tax and Business Registration Tax.

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

Sales and Use Tax

The State collects the City's local sales tax on retail transactions (currently 1.0% less the 0.25% shifted by the State pursuant to the Triple Flip) along with State and special district sales taxes, and then remits the local sales tax collections to the City. The local sales tax is deposited in the City's General Fund. The fiscal year 2007-08 Original Budget includes sales and use tax revenues of $111.55 million. This compares to the fiscal year 2006-07 actual of $107.81 million. The 0.25% reduction of the local sales tax allocation is wholly backfilled by increased property tax allocations to the City from the State.

Historically, sales tax revenues have been highly correlated to growth in tourism, business activity and jobs. A history of sales and use tax actual revenues from fiscal year 2003-04 through fiscal year 2007-08 is presented in Table A-6. This revenue is significantly impacted by changes in the economy. The Joint Report reflects that the City Controller's Office is projecting fiscal year 2007-08 sales tax revenues to be $2.0 million better than budget. Table A-8 reflects the City's actual sales and use tax receipts for fiscal years 2003-04 through 2006-07 along with budgeted levels for fiscal year 2007-08. The impact attributed to the Triple Flip backfill payments is also shown in Table A-8.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO Sales and Use Tax Receipts ($000's) Fiscal Years 2003-04 through 2007-08					
Fiscal Year	Tax Rate	City Share	Revenue	Change	
2003-04	8.50%	1.00%	$ 120,642	$ 5,064	4.4%
2004-05	8.50%	0.75%	94,689	(25,953)	-21.5%
2004-05 adj.*	8.50%	1.00%	118,287	(2,355)	-2.0%
2005-06	8.50%	0.75%	103,074	8,385	8.9%
2005-06 adj.*	8.50%	1.00%	136,840	18,553	15.7%
2006-07	8.50%	0.75%	107,810	4,736	4.6%
2006-07 adj.*	8.50%	1.00%	143,450	6,610	4.8%
2007-08 budget	8.50%	0.75%	111,546	3,736	3.5%
2007-08 adj. budget*	8.50%	1.00%	148,636	5,186	3.6%

*Adjusted figures represent the value of the entire 1.00% local sales tax, which was reduced by 0.25% beginning in fiscal year 2004-05 in order to repay the State's Economic Recovery Bonds as authorized under Proposition 57 in March 2004. Such 0.25% reduction is wholly backfilled by the State.
Revenues reflect underlying sales activity by fiscal year. Actuals shown through fiscal year 2006-07.

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

Transient Occupancy Tax

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators monthly. A quarterly tax-filing requirement is also imposed. In fiscal year 2007-08, revenue from transient occupancy tax was budgeted to grow 5.3% over fiscal year 2006-07 collections. Budgeted revenue, across all funds, from transient occupancy tax for fiscal year 2007-08 is $210.34 million, including $5.39 million allocated to the Redevelopment Agency and $148.90 million to the City's General Fund. As of the Joint Report, the City Controller's Office projected total transient occupancy tax revenues to be $14.64 million better than budget due to higher than expected occupancy rates and daily average room rates. All of the $14.64 million projected surplus would accrue to the City's General Fund during fiscal year 2007-08. Table A-9 sets forth a history of transient occupancy tax receipts for fiscal year 2003-04 through 2006-07 and budgeted receipts for 2007-08. This revenue is projected to exceed prior peak levels previously attained in fiscal year 2000-01.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO Transient Occupancy Tax Receipts ($000's) Fiscal Years 2003-04 through 2007-08 All Funds				
Fiscal Year	**Tax Rate**	**Revenue**	**Change**	
2003-04	14.00%	$ 148,231	$ 19,641	15.3%
2004-05	14.00%	157,945	9,713	6.6%
2005-06	14.00%	179,471	21,527	13.6%
2006-07	14.00%	199,768	20,297	11.3%
2007-08 budget	14.00%	210,342	10,574	5.3%

Revenues reflect the underlying occupancy and room rate activity by fiscal year.
Actuals shown through fiscal year 2006-07.
Source: Office of the Controller, City and County of San Francisco.

Real Property Transfer Tax

A tax is imposed on all real estate transfers recorded in the City. The current rate is $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; and $7.50 per $1,000 for properties valued at $1.0 million or more. Budgeted revenue from the real property transfer tax for fiscal year 2007-08 is $123.52 million, which assumed a reduction from the $143.98 million in fiscal year 2006-07 collections, given the unprecedented levels of commercial building transactions and resulting record transfer tax revenue collections during fiscal years 2004-05, 2005-06, and 2006-07. This revenue source has generally proven to be more susceptible to economic and real estate cycles than most other City revenue sources. As of the Joint Report, the City Controller's Office projected real property transfer tax revenues to be $20.00 million under budget due primarily to even further reductions in commercial property transactions compared to the prior fiscal year than were previously assumed in the budget.

TABLE A-10

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts ($000's)
Fiscal Years 2003-04 through 2007-08

Fiscal Year	Revenue	Change	
2003-04	$ 78,845	$ 27,370	53.2%
2004-05	116,797	37,952	48.1%
2005-06	131,279	14,482	12.4%
2006-07	143,976	12,697	9.7%
2007-08 budget	123,520	(20,456)	-14.2%

Actuals shown through fiscal year 2006-07.

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

Utility Users Tax

The City imposes a 7.5% tax on non-residential users of gas, electricity, water, steam and telephone utilities, as well as all cellular telephone and enhanced specialized mobile radio communication services for billing addresses in the City. Budgeted revenue from the utility users tax for fiscal year 2007-08 is $80.21 million. Of the total $80.21 million, $41.94 million is related to energy and $38.27 million is related to telephone usage. As of the Joint Report, the City Controller's Office is projecting utility users tax revenues to be $0.87 million more than fiscal year 2006-07 actual collections, but $0.61 million under budgeted levels for fiscal year 2007-08.

An Internal Revenue Service Notice issued in 2006 has the potential to affect the scope of services to which the City may apply its telephone user tax ("TUT"), with the potential result of a substantial reduction in the revenues the City receives from this source on an annual basis. The City's TUT is linked in certain respects to the Federal Excise Tax ("FET"), and on May 25, 2006, the IRS announced that it will no longer apply the FET to telephone toll services and to bundles of telephone services that include toll services. An ordinance adopted by the Board of Supervisors on August 15, 2006, and that went into effect on August 25, 2006, amended the City's Business and Tax Regulations Code to address this change in interpretation of federal law. This ordinance clarifies that the City levies its utility users tax under the City's inherent powers as a charter city and that federal law is not the basis or authority for the City's imposition of the utility users tax, including the TUT. This ordinance also provides that the City will continue to apply its TUT to all types of telephone communication services, including toll service. In addition, on July 27, 2006, the City's Treasurer & Tax Collector gave notice to the over 340 telecommunications carriers doing business in the City that the City will continue to apply its TUT to all types of telephone communication services. In Los Angeles, lawsuits have been filed challenging the authority of California cities to impose similar taxes on cellphone usage and seeking refunds. Total TUT revenue collections in fiscal year 2006-07 were $38.24 million, and $38.27 million is budgeted for fiscal year 2007-08.

Parking Tax

A 25.0% tax is imposed on the charge for off-street parking spaces. The tax is authorized by the San Francisco Business and Tax Regulation Code and is paid by the occupants of the spaces, then remitted to the City monthly by the operators of the parking facilities. The City's budgeted General Fund revenue from the parking tax is $64.82 million in fiscal year 2007-08. As of the Joint Report, the City Controller's Office projected parking tax revenues to be $0.91 million better than budget.

Intergovernmental Revenues, Grants and Subventions

The City budgeted intergovernmental revenues, grants and subventions of $1.13 billion for fiscal year 2007-08. This included $349.71 million from the federal government, $706.70 million from the State, and $71.64 million from other intergovernmental sources across all City funds. In the General Fund, the City budgeted intergovernmental revenues, grants and subventions of $708.31 million, including $214.14 million from the federal government and $494.17 million from the State government. As of the Joint Report for fiscal year 2007-08, the City Controller's Office projected intergovernmental revenues, grants and subventions to be $40.31 million under budget for the General Fund, mainly due to mid-year State cuts and lower Human Service prior-year revenue closeouts. The major categories of such funds are set forth in further detail below.

Health and Welfare Realignment

In fiscal year 1991-92, the State transferred to counties responsibility for determining service levels and administering most mental health, public health and some social service programs, thereby reducing the State's obligations. The State also increased its share of certain welfare costs formerly borne by counties. In order to meet these obligations, counties receive the proceeds of a 0.5% statewide sales tax and a portion of vehicle license fees ("VLF"). These sources are budgeted to provide $231.25 million to the City's General Fund and its two General Fund-supported county hospitals for fiscal year 2007-08. As of the Joint Report, the City Controller's Office projected health and welfare realignment revenues to be $2.01 million less than budget for fiscal year 2007-08.

Motor Vehicle License Fees

The City's budget reflects the permanent roll-back of the VLF revenues, along with the associated backfill shift made by the State wherein it partially reduced the amount of property taxes shifted from the City to the ERAF to make up the difference. After factoring in State shifts, the fiscal year 2007-08 budget for vehicle license fee revenues is $5.29 million. As of the Joint Report, the City Controller's Office projected motor vehicle license fee revenues to be $0.44 million less than budget.

Public Safety Sales Tax

State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. Budgeted revenue from this source is $73.27 million for fiscal year 2007-08. As of the Joint Report, the City Controller's Office projected public safety sales tax revenues to be $3.29 million less than budget. This revenue is a function of the City's proportionate share of statewide sales activity.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, across all funds in fiscal year 2007-08, the City budgeted approximately $818.24 million in social service subventions from the State and federal governments to fund programs such as Food Stamps, CalWORKs, Child Support Services and transportation projects. Health and welfare subventions are often based on State and federal funding formulas, which currently reimburse counties according to actual spending on these services. As of the Joint Report, the City Controller's Office projected other intergovernmental grants and subventions revenues to be $34.51 million less than budget in the General Fund.

Charges for Services

Charges for services are budgeted at $137.17 million for fiscal year 2007-08 in the General Fund. This includes $31.75 million of general government service charges (including, for example, City planning fees), $27.00 million of public safety service charges (including, for example, boarding of prisoners and safety inspection fees), $7.46 million of recreation charges, $51.30 million of MediCal, MediCare and health service charges, $10.87 million of other miscellaneous service charges, and $8.75 million of internal service cost recoveries. As of the Joint Report, the City Controller's Office is projecting charges for services on revenues to be $4.81 million under budget.

Investment Policy

The management of the City's surplus cash is governed by an Investment Policy administered by the Office of the Treasurer & Tax Collector. In order of priority, the objectives of this Investment Policy are the preservation of capital, liquidity and yield. The preservation of capital is the foremost goal of any investment decision, and investments generally are made so that securities can be held to maturity. Once safety and liquidity objectives have been achieved, the Treasurer then attempts to generate a favorable return by maximizing interest earnings without compromising the first two objectives. 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 and is made available on the City's website. (These reports are not incorporated by reference herein.)

The investment portfolio is structured with the objective of enabling the City to meet all disbursement requirements that are anticipated from any fund during the subsequent six months. As of February 29, 2008 the City's surplus investment fund consisted of the investments classified in Table A-11, and had the investment maturity distribution presented in Table A-12.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Investment Portfolio
Pooled Funds
As of February 29, 2008

Type of Investment		Par Value		Book Value		Market Value
Treasury Bills	$	342,270,000	$	337,189,918	$	341,243,387
Treasury Notes		645,500,000		645,489,698		650,394,531
Federal Home Loan Bank		130,000,000		130,909,876		131,468,750
FHLMC Bonds		50,000,000		51,248,889		50,906,250
FHLB Floater Qtr Act - 360		354,500,000		354,535,200		354,278,438
FHLB Floater Qtr Act - 360		65,000,000		65,000,000		64,959,375
FNMA Discount Notes		236,000,000		229,487,692		235,028,000
Federal Home Loan Disc Notes		304,440,000		299,503,199		302,801,037
FMC Discount Notes		331,250,000		322,935,841		329,317,119
Negotiable C.D.'s		235,000,000		235,006,917		235,038,345
Commercial Paper Disc		467,000,000		460,171,030		465,214,253
Public Time Deposit		45,200,000		45,200,000		44,560,528
Total	$	3,206,160,000	$	3,176,678,260	$	3,205,210,013

Weighted Avergage Maturity: 191 Days

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

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Investment Maturity Distribution
Pooled Funds
As of February 29, 2008

Maturity In Months			Book Value	Percentage
1	to	2	$1,397,980,050	44.00%
2	to	3	280,596,046	8.80%
3	to	4	407,396,815	12.80%
4	to	5	278,091,188	8.80%
5	to	6	211,049,214	6.60%
6	to	12	145,375,362	4.60%
12	to	18	20,342,496	0.60%
18	to	24	354,535,200	11.60%
24	to	36	-	0.00%
36	to	48	-	0.00%
48	to	60	81,311,889.00	2.60%
			$3,176,678,260	100%

Weighted Average Maturity: 191 Days

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

Statement of Direct and Overlapping Bonded Debt and Long Term Obligations

The pro forma statement of direct and overlapping bonded debt and long-term obligations (the "Debt Report"), presented in Table A-13 has been compiled by the City's Office of Public Finance.

The Debt Report generally includes long-term obligations sold in the public credit markets by the City and 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 Debt Report, lease obligations of the City, which support indebtedness incurred by others, are included. As reflected in the Debt Report, 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-13

CITY AND COUNTY OF SAN FRANCISCO

Statement of Direct and Overlapping Debt and Long-Term Obligations

2007-2008 Assessed Valuation (net of non-reimbursable & homeowner exemptions)**:**	$ 130,004,478,543	
	Outstanding	
DIRECT GENERAL OBLIGATION BOND DEBT	**4/1/2008**	
General City Purposes Carried on the Tax Roll	$1,163,639,021	
GROSS DIRECT DEBT	$1,163,639,021	
DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS		
San Francisco COPs, Series 1997 (2789 25th Street Property)	$6,460,000	
San Francisco COPs, Series 1999 (555-7th Street Property)	6,740,000	
San Francisco Parking Authority Lease Revenue Bds, Series 2000A (North Beach Garage)	6,810,000	
San Francisco COPs, Series 2000 (San Bruno Jail Replacement Project)	128,350,000	
San Francisco Refunding COPs, Series 2001-1 (25 Van Ness Avenue Property)	10,290,000	
San Francisco Refunding Settlement Obligation Bonds, Series 2003-R1	20,585,000	
San Francisco COPs, Series 2001A & Taxable Series 2001B (30 Van Ness Ave. Property)	33,210,000	
San Francisco COPs, Series 2003 (Juvenile Hall Replacement Project)	39,540,000	
San Francisco Finance Corporation, Equipment LRBs Series 2002A, 2003A, 2004A, 2005A, 2006A, 2007A	20,370,000	
San Francisco Finance Corporation Emergency Communication Series, 1997, 1998, 1998-1, 1999-1	37,140,000	
San Francisco Finance Corporation Moscone Expansion Center, Series, 2000-1, 2000-2, 2000-3	147,900,000	
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007	67,320,000	
San Francisco Lease Revenue Refunding Bonds, Series 1998-I	815,000	
San Francisco Redevelopment Agency Moscone Convention Center 1992	22,545,064	[1]
San Francisco Redevelopment Agency Lease Revenue Refunding Bonds, Series 2002	66,205,000	
San Francisco Redevelopment Agency Lease Revenue Refunding Bonds, Series 2004	32,050,000	
San Francisco Refunding Certificates of Participation, Series 2004-R1(San Francisco Courthouse Project)	33,910,000	
San Francisco COPs, Series 2007A and Taxable Series 2007B (City Office Buildings - Multiple Properties)	153,700,000	
LONG-TERM OBLIGATIONS	$833,940,064	
GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS	$1,997,579,085	
OVERLAPPING DEBT & LONG-TERM OBLIGATIONS		
Bayshore Hester Assessment District	$815,000	
San Francisco Bay Area Rapid Transit District (33%) Sales Tax Revenue Bonds	126,208,333	
San Francisco Bay Area Rapid Transit District (29%) General Obligation Bonds, Series 2005A, 2007B	124,017,050	
San Francisco Community College District General Obligation Bonds - Election of 2001, 2005	374,370,000	
San Francisco Parking Authority Meter Revenue Refunding Bonds - 1999-1	19,090,000	
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds - 1994	6,965,000	
San Francisco Redevelopment Agency Hotel Tax Revenue Refunding Bonds - 1998	52,760,000	
San Francisco Redevelopment Agency Obligations (Property Tax Increment)	574,527,610	
San Francisco Unified School District General Obligation Bonds, Series Election of 2003, 2006	363,380,000	
San Francisco Unified School District COPs (1235 Mission Street), Series 1992	7,734,152	
San Francisco Unified School District COPs - 1996 Refunding, 1998 & 1999	14,965,000	
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS	$1,664,832,145	
GROSS COMBINED TOTAL OBLIGATIONS	$3,662,411,230	[2]

Ratios to Assessed Valuation:	**Actual Ratio**	**Charter Req.**
Gross Direct Debt (General Obligation Bonds)	0.90%	< 3.00% [3]
Gross Direct Debt & Long-Term Obligations	1.54%	n/a
Gross Combined Total Obligations	2.82%	n/a

[1] The accreted value as of July 1, 2007 is $80,053,790.

[2] Excludes revenue and mortgage revenue bonds, tax allocation bonds, and non-bonded third party financing lease obligations.

[3] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal property within the City's boundaries that is subject to City taxes.

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

Tax Supported Debt Service

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes (“general obligation bonds”) can only be authorized with a 2/3 approval of the voters. As of April 1, 2008, the City had $1.16 billion aggregate principal amount of general obligation bonds outstanding.

Table A-14 shows the annual amount of debt service payable on the City’s outstanding general obligation bonds.

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO
Direct Tax Supported Debt Service
As of April 1, 2008[1] [2]

Fiscal Year	Principal	Interest	Annual Debt Service
2008	$89,811,290	$27,681,237	$117,492,527
2009	95,536,743	48,012,688	143,549,431
2010	89,893,048	43,486,195	133,379,243
2011	91,570,253	39,047,428	130,617,681
2012	80,048,407	34,780,073	114,828,480
2013	71,142,562	30,909,695	102,052,257
2014	65,777,775	27,381,835	93,159,610
2015	58,804,104	24,212,709	83,016,813
2016	61,526,611	21,320,894	82,847,505
2017	51,570,362	18,212,060	69,782,422
2018	50,180,421	15,634,054	65,814,475
2019	50,701,868	13,171,129	63,872,997
2020	44,114,775	10,683,978	54,798,753
2021	40,529,225	8,518,319	49,047,544
2022	35,170,303	6,639,120	41,809,423
2023	34,438,100	5,406,782	39,844,882
2024	32,477,710	4,166,973	36,644,683
2025	27,874,234	3,050,429	30,924,663
2026	17,502,779	2,138,460	19,641,239
2027	18,138,451	1,769,256	19,907,707
2028	18,330,000	1,333,000	19,663,000
2029	18,840,000	910,000	19,750,000
2030	19,660,000	466,000	20,126,000
TOTAL[3]	$1,163,639,021	$388,932,314	$1,552,571,335

[1] The City's only outstanding direct tax supported debt is general obligation bonded indebtedness. This table does not reflect any debt other than City direct tax supported debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.
[2] Totals reflect rounding to nearest dollar.
[3] For purposes of this table, the interest payment on the $120,000,000 general obligation bonds, Series 2005 B, C, D (Laguna Honda Hospital) are assumed to be 7%. These bonds are in variable rate mode.

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

General Obligation Bonds Authorized but Unissued

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

In November 2000, voters approved Proposition A, which authorized the issuance of up to $105.9 million in general obligation bonds for the acquisition, renovation and construction of branch libraries and other library facilities. The City has issued three series of library bonds and the City anticipates issuing the remaining $31.1 million of the total authorization in April 2008.

In February 2008, voters approved Proposition A, which authorized the issuance of up to $185.0 million in general obligation bonds for the construction, reconstruction, purchase, and/or improvement of park and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City anticipates issuing the first series of bonds under Proposition A in the summer of 2008.

Table A-15 below lists for each of the City's voter-authorized general obligation bond programs the amount originally authorized, the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued, and does not refer to any particular series. As of April 1, 2008, the City had authorized and unissued general obligation bond authority of $521.37 million.

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO General Obligation Bonds (as of April 1, 2008)				
Description of Issue (Date of Authorization)	Series	Issued	Outstanding	Authorized & Unissued
Golden Gate Park Improvements (6/2/92)	2001A	17,060,000	13,285,000	
Seismic Safety Loan Program (11/3/92)	2007A	9,695,228	9,639,021	$305,304,772 [1]
Asian Art Museum Relocation Project (11/8/94)	1999D	16,730,000	2,355,000	
Steinhart Aquarium Improvement (11/7/95)	2005F	29,245,000	27,175,000	
Affordable Housing Bonds (11/5/96)	1998A	20,000,000	13,915,000	
	1999A	20,000,000	14,975,000	
	2000D	20,000,000	3,635,000	
	2001C	17,000,000	13,415,000	
	2001D	23,000,000	18,840,000	
Educational Facilities - Community College District (6/3/97)	1999A	20,395,000	915,000	
	2000A	29,605,000	1,250,000	
Educational Facilities - Unified School District (6/3/97)	1999B	60,520,000	2,720,000	
	2003B	29,480,000	24,950,000	
Zoo Facilities Bonds (6/3/97)	1999C	16,845,000	755,000	
	2000B	17,440,000	735,000	
	2002A	6,210,000	5,040,000	
	2005H	7,505,000	6,970,000	
Laguna Honda Hospital (11/2/99)	2005A	110,000,000	110,000,000	
	2005B	40,000,000	40,000,000	
	2005C	40,000,000	40,000,000	
	2005D	40,000,000	40,000,000	
	2005I	69,000,000	69,000,000	
Neighborhood Recreation and Park (3/7/00)	2000C	6,180,000	260,000	
	2001B	14,060,000	10,945,000	
	2003A	20,960,000	17,740,000	
	2004A	68,800,000	61,690,000	
California Academy of Sciences Improvement (3/7/00)	2004B	8,075,000	7,240,000	
	2005E	79,370,000	73,755,000	
Branch Library Facilities Improvement (11/7/00)	2001E	17,665,000	13,875,000	
	2002B	23,135,000	18,770,000	
	2005G	34,000,000	31,600,000	
	2008A	-	-	31,065,000 [2]
Clean & Safe Neighborhood Parks (2/5/08)		-	-	185,000,000
SUB TOTALS		**$931,975,228**	**$695,444,021**	**521,369,772**
General Obligation Refunding Bonds Series 1997-1 issued 10/27/97		$449,085,000	$228,090,000	
General Obligation Refunding Bonds Series 2002-R1 issued 4/23/02		$118,945,000	$85,240,000	
General Obligation Refunding Bonds Series 2004-R1 issued 6/16/04		$21,930,000	$3,795,000	
General Obligation Refunding Bonds Series 2006-R1 issued 10/17/06		$90,690,000	$89,005,000	
General Obligation Refunding Bonds Series 2006-R2 issued 12/18/06		$66,565,000	$62,065,000	
TOTALS		**$1,679,190,228**	**$1,163,639,021**	**$521,369,772**

[1] Of the $35,000,000 authorized by the Board of Supervisors in February 2007, $9,695,228 has been drawn upon to date pursuant to the Credit Agreement described under "General Obligation Bonds Authorized but Unissued."

[2] Expected to be issued in April 2008.

Refunding General Obligation Bonds

The Board of Supervisors adopted Resolution No. 272-04 on May 11, 2004 (the "2004 Resolution"). The Mayor approved the 2004 Resolution on May 13, 2004. The 2004 Resolution authorized the issuance of not to exceed $800.0 million aggregate principal amount of its General Obligation Refunding Bonds from time to time in one or more series for the purpose of refunding all or a portion of the City's then outstanding General Obligation Bonds. The City issued three series of refunding bonds under the Resolution:

City and County of San Francisco

General Obligation Refunding Bonds

Series Name	Date Issued	Principal Amt. (Millions)
2004-R1	June 2004	$21.93
2006-R1	October 2006	90.70
2006-R2	December 2006	66.57

Lease Payments and Other Long-Term Obligations

The Charter requires that any lease – financing agreements with a nonprofit corporation or another public agency must be approved by a majority vote of the City's electorate, except (i) leases approved prior to April 1, 1977, (ii) refunding lease financing expected to result in net savings, and (iii) certain lease financing for capital equipment.

Table A-16 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and certificates of participation as of April 1, 2008. Note that the annual payment obligations reflected in Table A-16 include the fully-accreted value of any capital appreciation obligations that will accrue as of the final payment dates and does not include general obligation bonds.

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO Lease Revenue Bonds, Certificates of Participation, and San Francisco Redevelopment Agency Bonds As of April 1, 2008			
Fiscal Year	Principal	Interest	Annual Payment Obligation
2008	$3,915,000	$5,591,388	$9,506,388
2009	46,510,247	49,008,405	95,518,652
2010	38,677,024	47,650,299	86,327,323
2011	37,388,573	46,439,955	83,828,528
2012	34,770,763	45,272,208	80,042,971
2013	33,896,157	43,945,280	77,841,437
2014	34,856,550	42,371,792	77,228,342
2015	40,580,750	35,955,530	76,536,280
2016	40,135,000	28,750,218	68,885,218
2017	35,220,000	26,802,098	62,022,098
2018	35,640,000	25,052,861	60,692,861
2019	25,795,000	23,595,107	49,390,107
2020	26,770,000	22,187,213	48,957,213
2021	27,180,000	20,727,258	47,907,258
2022	27,825,000	19,231,675	47,056,675
2023	28,465,000	17,687,801	46,152,801
2024	29,155,000	16,109,773	45,264,773
2025	25,990,000	14,480,843	40,470,843
2026	26,850,000	13,023,576	39,873,576
2027	28,035,000	11,501,204	39,536,204
2028	27,560,000	9,903,741	37,463,741
2029	28,725,000	8,321,504	37,046,504
2030	27,205,000	6,698,081	33,903,081
2031	17,475,000	5,359,798	22,834,798
2032	18,275,000	4,555,900	22,830,900
2033	16,735,000	3,727,075	20,462,075
2034	17,580,000	2,871,856	20,451,856
2035	6,575,000	2,224,913	8,799,913
2036	6,870,000	1,922,400	8,792,400
2037	7,180,000	1,606,275	8,786,275
2038	7,505,000	1,275,863	8,780,863
2039	7,840,000	930,600	8,770,600
2040	8,195,000	569,813	8,764,813
2041	8,565,000	192,713	8,757,713
TOTAL [1][2]	$833,940,064	$605,545,016	$1,439,485,080

[1] Totals reflect rounding to nearest dollar.

[2] For purposes of this table, the interest payments on the Lease Revenue Bonds, Series 2000-1, 2, 3 (Moscone Center Expansion Project) are assumed to be 7%. These bonds are in variable rate mode.

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

The City electorate has approved several lease revenue bond propositions in addition to those bonds that have already been issued. The following lease programs have remaining authorization:

In 1987, voters approved Proposition F, 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 $8.19 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002. There is no current plan to issue any more series of bonds under Proposition F.

In 1990, voters approved Proposition C, which amended the Charter to authorize the City to lease-purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed $20.00 million, such amount increasing by five percent each fiscal year. As of April 1, 2008, the total authorized amount for such financings was $45.84 million. The total principal amount outstanding as of April 1, 2008 was $20.37 million. It is anticipated that the Corporation will issue $11.96 million of 2008A Equipment Lease Revenue Bonds in April 2008.

In 1994, voters approved Proposition B, which authorized the issuance of up to $60.00 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 $22.64 million and $23.30 million of Proposition B lease revenue bonds, respectively leaving $14.00 million in remaining authorization.

In June 1997, voters approved Proposition D, which authorized the issuance of up to $100.00 million in lease revenue bonds for the construction of a new football stadium at Candlestick Park, the home of the San Francisco 49ers football team. If issued, the $100.00 million of lease revenue bonds would be the City's contribution toward the total cost of the stadium project and the 49ers would be responsible for paying the remaining cost of the stadium construction project. The City has no current timetable for issuance of the Proposition D bonds.

On March 7, 2000 voters approved Proposition C, which extended a two and one half cent per $100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. The City issued $27.00 million and $42.43 million of such Open Space Fund lease revenue bonds in October 2006 and October 2007, respectively.

In November 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continues the two and one half cent per $100.0 in assessed valuation property tax set-aside and establishes a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorizes the issuance of revenue bonds or other evidences of indebtedness payable from a portion of the Library Preservation Fund. The City anticipates issuing the first series of Library Preservation Fund revenue bonds in the fall of 2008.

Overlapping Debt

In November 2001, voters approved Proposition A. Proposition A of 2001 authorized the issuance of up to $195.0 million in general obligation bonds to finance construction of new Chinatown and North Beach campuses of the San Francisco Community College District (the "SFCCD") and to make improvements to existing facilities. All of the authorized bonds have been issued.

On November 4, 2003, voters approved Proposition A. Proposition A of 2003 authorized the San Francisco Unified School District (the "SFUSD") to issue up to $295.0 million of general obligation bonds to repair and rehabilitate school facilities, and various other improvements. The SFUSD issued $58.00 million of such authorization in October 2004, $130.0 million in October 2005 and $92.00 million in October 2006, leaving $15.00 million authorized but unissued.

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

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

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

Labor Relations

The City's fiscal year 2007-08 original budget includes approximately 30,000 full time personnel, excluding employees in the SFUSD, SFCCD, and San Francisco Superior Court. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 (formerly Locals United Health Workers – West, 535 and 790); International Federation of Professional and Technical Engineers (Local 21); and unions representing police, fire, deputy sheriffs and transit workers.

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

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

The City's retirement benefits are established under the Charter and approved directly by the voters, rather than through the regular collective bargaining process; most changes to retirement benefits require a voter-approved Charter amendment.

In 2006, the City negotiated three-year successor agreements (July 1, 2006 through June 30, 2009) with all labor unions covered under Charter Section A8.409. In these agreements, most unions agreed to continue paying their own retirement contribution in exchange for an additional base wage increase. In general, employees agreed to pay their employee contribution to either the California Public Employees Retirement System ("CalPERS") (either 7% or 9%, depending on the plan) or the San Francisco Employees Retirement System ("SFERS" or the "Retirement System") (7.5%) retirement plans for all three years. In exchange for employees' agreement to continue payment of their retirement contribution, the City will increase employees' base pay by a cost-equivalent post-tax amount. Additionally, employees will receive some general wage increases in each year of the contract. A few unions opted to have the City continue paying the employee contribution and therefore did not receive the additional cost–equivalent post-tax increase.

In 2007, the City negotiated a three-year contract (July 1, 2007 through June 30, 2010) with the Staff Nurses and a four-year contract with the Nurse Managers (July 1, 2007 through June 30, 2011). Given the national nursing shortage, and the City's commitment to provide quality public health and meet State-mandated nurse-patient ratios, these agreements reflect wage and staffing increases to address market conditions for Registered Nurses.

Of the unions covered under Charter Section A8.590-1, the City negotiated a successor agreement with the Deputy Sheriffs, effective July 1, 2005 through June 30, 2009. Employees covered by this agreement will pay their retirement contribution and receive general wage increases each year of the agreement. In 2007, the City negotiated four-year contracts (July 1, 2007 through June 30, 2011) with the Police and Fire non-management staff. In each year of these contracts, represented employees will receive market-based wage increases. The parties are in the process of negotiating successor agreements with Police and Fire management staff.

Pursuant to Charter Section 8A.104, the MTA is responsible for negotiating contracts for the transit operators and employees in service-critical bargaining units. These contracts are subject to approval by the MTA Board. The current contract covering transit operators expires on June 30, 2008. MTA and the union representing the transit operators began negotiations for a successor agreement in 2007.

In addition, the City adopts an annual "Unrepresented Employees' Ordinance" for employees who are not exclusively represented by a union. The Ordinance for fiscal year 2007-08 provides for employees to pick-up their own retirement contribution in exchange for an additional base wage increase.

TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO

Employee Organizations as of July 1, 2007

Organization	Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	407	June 30, 2009
Bricklayers, Local 3/Hod Carriers, Local 36	18	June 30, 2009
Building Inspectors Association	80	June 30, 2009
Carpenters, Local 22	107	June 30, 2009
CIR (Interns & Residents)	204	June 30, 2009
Cement Masons, Local 580	29	June 30, 2009
Deputy Sheriffs Association	882	June 30, 2009
District Attorney Investigators Association	a	June 30, 2009
Electrical Workers, Local 6	791	June 30, 2009
Glaziers, Local 718	12	June 30, 2009
International Alliance of Theatrical Stage Employees, Local 16	15	June 30, 2009
Ironworkers, Local 377	17	June 30, 2009
Laborers International Union, Local 261	1,124	June 30, 2009
Municipal Attorneys' Association	442	June 30, 2009
Municipal Executives Association	1026	June 30, 2009
MEA - Police Management	2	June 30, 2007
MEA - Fire Management	8	June 30, 2007
Operating Engineers, Local 3	60	June 30, 2009
Painters, Local 1176	114	June 30, 2009
Pile Drivers, Local 34	17	June 30, 2009
Plumbers, Local 38	335	June 30, 2009
Probation Officers Association	151	June 30, 2009
Professional & Technical Engineers, Local 21	4,427	June 30, 2009
Roofers, Local 40	14	June 30, 2009
S.F. Institutional Police Officers Association	4	June 30, 2009
S.F. Firefighters, Local 798	1,725	June 30, 2011
S.F. Police Officers Association	2,774	June 30, 2011
SEIU, Local 1021 (formerly Locals UHW, 535 and 790)	11,136	June 30, 2009
SEIU, Local 1021 Staff & Per Diem Nurses	1,561	June 30, 2010
SEIU, Local 1021 H-1 Rescue Paramedics	14	June 30, 2005 [1]
Sheet Metal Workers, Local 104	48	June 30, 2009
Stationary Engineers, Local 39	662	June 30, 2009
Supervising Probation Officers, Operating Engineers, Local 3	21	June 30, 2009
Teamsters, Local 350	2	June 30, 2009
Teamsters, Local 853	168	June 30, 2009
Teamsters, Local 856 (Multi-Unit)	110	June 30, 2009
Teamsters, Local 856 (Supervising Nurses)	133	June 30, 2011
TWU, Local 200 (SEAM multi-unit & claims)	314	June 30, 2009
TWU, Local 250-A Auto Service Workers	197	June 30, 2009
TWU-250-A Miscellaneous	90	June 30, 2009
TWU-250-A Transit Operators	2035	June 30, 2008
Union of American Physicians & Dentists	186	June 30, 2009
Unrepresented Employees	140	June 30, 2009
TOTAL	**31,602** [2]	

[1] The parties are in the process of negotiating successor contract. Under the status quo, the salary link continues between the H-1 Fire Rescue Paramedics and the H-3 Firefighter/Paramedic (respresented by Firefighters and Local 798).

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

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

Risk Retention Program

Citywide risk management is coordinated by the Office of Risk Management. 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. The City's policy in this regard is based on its analysis that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e. "self-insurance"). The City obtains commercial insurance 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.

The City's property risk management approach varies depending on various factors including whether the facility is currently under construction or if the property is owned by self-supporting enterprise departments. 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, typically for more limited-scope projects, the City requires each contractor to provide its own insurance, while ensuring that the full scope of work be covered with satisfactory levels to limit the City's risk exposure. Other City buildings are insured in connection with bond financing covenants or otherwise are self-insured by the City. The vast majority of the City's traditional insurance program is purchased for enterprise departments and other similar revenue-generating departments (San Francisco International Airport, Municipal Railway, Public Utilities Commission, the Port and Convention Facilities). The remainder of the insured program is made up of insurance for General Fund departments that are required to provide coverage for bond-financed facilities, coverage for collections at City-owned museums and statutory requirements for bonding of various public officials.

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

The City actuarially determines and allocates workers' compensation costs to departments 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. Statewide workers' compensation reforms have resulted in City budgetary savings in recent years. The City continues to develop and implement improved programs, such as return-to-work programs, to lower or mitigate workers' compensation costs. Various programs focus on accident prevention, investigation and duty modification of injured employees with medical restrictions so the injured employees can return to work as early as possible.

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

Retirement System

History and Administration

The Retirement System is a defined-benefit plan that was initially established in the late 1880s and was constituted in its current form by the 1932 City charter and then retained under the Charter. The Charter provisions governing the Retirement System may be revised only by a Charter amendment, which requires an affirmative 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, and a member of the Board of Supervisors appointed by the President of the Board of Supervisors.

To aid in the administration of the Retirement System, the Retirement Board appoints an actuary and an Executive Director. The Executive Director's responsibility extends to all divisions of the system consisting of Administration, Investment, Retirement Services/Accounting, and Deferred Compensation. The actuary's responsibilities include the production of data and a summary of plan provisions for the independent consulting actuary retained by the Retirement Board to produce a valuation report and other analyses as described below.

Membership

The Retirement System's membership includes City employees who are not members of CalPERS, SFUSD and SFCCD employees who are not members of the State Teachers Retirement System, and San Francisco Trial Court employees other than judges.

The Retirement System estimates that the total active membership as of June 30, 2007 was 34,060, including 3,096 vested members and 774 reciprocal members, compared to 33,061 members a year earlier. With respect to City employees, vested members are members who (i) have worked for the City for five or more years, (ii) have separated from City Service and (iii) have elected to receive a deferred vested pension in the future. Reciprocal members are members who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. The total new enrollees in the Retirement System for fiscal year 2006-07 were approximately 2,961. Checks are mailed to approximately 20,605 benefit recipients monthly.

Table A-18 shows total Retirement System membership for fiscal years 2002-03 through 2006-07.

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO Employees' Retirement System Fiscal Years 2002 - 03 through 2006 - 07						
Fiscal Year	Active Members	Vested Members	Reciprocal Members	**Total Non-retired**	Retirees/ Continuants	Active to Retiree Ratio
2003	32,121	948	646	33,715	18,490	1.823
2004	31,651	996	728	33,375	19,081	1.749
2005	29,164	2,833	763	32,760	20,093	1.630
2006	29,426	2,901	734	33,061	20,489	1.614
2007	30,190	3,096	774	34,060	21,116	1.613

Sources: SFERS' Actuarial Valuation reports as of July 1, 2007, July 1, 2006, July 1, 2005, and July 1, 2004, and July 1, 2003.

Funding Practices

Actuarial valuation of the Retirement System is a joint effort of the Retirement System and an independent consulting actuarial firm employed under contract by the Retirement Board. A valuation of the Retirement System is conducted each year; periodically demographic studies and other actuarial analyses of performance are also prepared. The latest report as of June 30, 2007 was issued in January 2008. Upon receipt of the consulting actuarial firm's valuation report, Retirement System staff provides a recommendation to the Retirement Board as to the Retirement Board's acceptance of the consulting actuary's valuation report. In connection with such acceptance, the Retirement Board acts to set the annual employer and employee contribution amounts required by the Retirement System as detailed in the report.

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

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

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

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

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

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

Recent Funding Performance

From fiscal year 1996-97 through fiscal year 2003-04, the City's dollar contribution to the Retirement System decreased to zero due to lowered funding requirements as determined by the consulting actuary of the Retirement System and adopted by the Retirement Board. The zero percent employer funding requirements for this period were due primarily to higher than projected investment earnings and lower than projected wage increases. Beginning in fiscal year 2004-05, the Retirement Board reinstated required employer contributions based on the funding requirements as determined by the consulting actuary in the manner described above in "—Funding Practices." In fiscal year 2006-07, the City contributed $132.601 million in employer contribution to the Retirement System, which was 6.24% of Pensionable Salary (as defined below). This amount includes $49.20 million from the General Fund. In fiscal year 2007-08, the City budgeted an estimated $123.56 million in employer contribution to the Retirement System, which was 5.91% of that portion of a member's earned wages that are includable for calculation and contribution purposes ("Pensionable Salary"). This amount included $51.48 million from the General Fund. The contribution rate approved to be effective July 1, 2008 is 4.99% of Pensionable Salary.

Table A-19 shows Retirement System actual contributions for fiscal years 2002-03 through 2006-07. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the value of assets held in trust adjusted according to the Retirement System's actuarial methods as summarized above. "Pension Benefit Obligation" reflects the accrued actuarial liability of the Retirement System. The "Percent Funded" column is determined by dividing the actuarial value of assets by the Pension Benefit Obligations. The "Employer and Employee Contributions" reflects the total of mandated employee contributions and employer Actuarial Retirement Contributions received by the Retirement System for fiscal years 2002-03 through 2006-07.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Employee Retirement System (in $000s)
Fiscal Years 2002-03 through 2006-07

Fiscal Year	Market Value of Assets	Actuarial Value of Assets	Pension Benefit Obligation	Percent Funded	Employee & Employer Contribution [1]
2003	$10,553,013	$11,173,636	$ 10,249,896	109.0	$182,069
2004	11,907,358	11,299,997	10,885,455	104.0	170,550
2005	13,135,263	12,659,698	11,765,737	108.0	248,029
2006	14,497,022	13,597,646	12,515,463	109.0	289,226
2007	16,952,044	14,929,287	13,541,388	110.0	308,348

[1] For fiscal years 1999-00 through 2003-04, the City paid no employer contribution. Following are the employer contribution rates as determined by the Retirement Board Actuarial Valuations:

Year	Rate
2004-2005	4.48%
2005-2006	6.58%
2006-2007	6.24%
2007-2008	5.91%
2008-2009	4.99%

Sources: SFERS' audited financial statements and supplemental schedules and SFERS' Acturarial report as of July 1, 2007, July 1, 2006, July 1, 2005, July 1, 2004, and July 1, 2003.

Asset Management and Actuarial Valuation

The assets of the Retirement System are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the system 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. The investments are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the

Retirement System by writing to the San Francisco Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, California 94102, or by calling (415) 487-7000. These reports are not incorporated by reference herein.

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; such payment from the General Fund equaled $15.98 million in fiscal year 2006-07. These contributions are summarized in Note 9 to the City's CAFR, as of June 30, 2007 attached hereto as Appendix C. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 45*."

Medical Benefits

Administration through Health Service System; Audited System Financial Statements

Medical benefits for eligible active City employees, for retired City employees and for surviving spouses and domestic partners of covered City retirees (the "City Beneficiaries") are administered by the City's Health Service System (the "Health Service System") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the Health Service System also administers medical benefits to active and retired employees of the SFUSD, SFCCD and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical benefits for City Beneficiaries.

The Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The Health Service Board is composed of the following seven seats: a member of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; and four members of the Health Service System, active or retired, elected from among their number.

The plans (the "HSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "HSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

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

As presently structured under the City Charter, the Health Service Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "OPEB

Fund"). Thus, the Health Service Trust Fund is not currently affected by Governmental Accounting Standards Board ("GASB") Statement Number 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which applies to OPEB Funds.

Determination of Employer and Employee Contributions for Medical Benefits

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

All City Beneficiaries receive a base contribution from the City toward the monthly cost of their medical benefits calculated pursuant to Charter Section A8.423. Under that section, in January of each year, the Health Service System conducts a survey of the 10 most populous counties in California (other than the City and County of San Francisco) to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." Under City Charter Section A8.428, the City is required to contribute to the Health Service Trust Fund an amount equal to such "average contribution" for each City Beneficiary.

In addition to the average contribution described above, the City makes additional medical and other benefit contributions on behalf of City Beneficiaries who are active employees as negotiated and agreed to by such employees' applicable collective bargaining units. City bargaining units have negotiated additional City contributions for enhanced single medical coverage, dependent medical coverage and for additional benefits such as dental care for the members of such bargaining units. These contribution amounts are also paid by the City into the Health Service Trust Fund.

Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and domestic partners of City employees) ("Nonemployee City Beneficiaries") are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under "*—Post-Employment Health Care Benefits and GASB 45*."

Contributions relating to Nonemployee City Beneficiaries include the City contribution of the "average contribution" corresponding to such Nonemployee City Beneficiaries as described in Charter Section A8.423 along with the following:

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

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

- After application of the calculations described above, the City contributes 50% of City retirees' remaining monthly contributions.

In addition, the City contributes 50% of the monthly contributions required for the first dependent of a retired City participant.

Fiscal Year 2006-07 Employer Contributions for Health Service System Benefits

For fiscal year 2006-07, the Health Service System received approximately $519.2 million from participating employers for Health Service System benefit costs. Of this total, the City contributed approximately $366.0 million for Health Service System benefit costs. For the City, approximately $101.5 million of this amount was for health care benefits for approximately 17,600 retired City employees and their eligible dependents and approximately $264.5 million was for benefits for approximately 28,300 active City employees and their eligible dependents. Further information on Health Service System funding can be found in the audited financial statements, which are available through fiscal year 2006-07. (These reports are not incorporated herein.)

Post-Employment Health Care Benefits and GASB 45

Eligibility of former City employees for retiree medical benefits is governed by the Charter. A summary description of the general categories of City employees eligible for retiree medical benefits and the current minimum eligibility requirements for such employees is set forth below:

- Employees who retire from active status after attaining age 50 and completing five years of City service may continue medical benefits at retirement provided they meet the applicable eligibility requirements.

- Employees who complete five years of City service before termination may continue medical benefits when they retire after attaining age 50 provided they meet the applicable eligibility requirements.

- Employees who become disabled due to duty-related disability and retire may continue medical benefits provided they meet the applicable eligibility requirements.

- Employees with five years of service who become disabled due to non-duty-related disability and retire may continue medical benefits provided they meet the applicable eligibility requirements.

- Spouses, domestic partners and children of an eligible retiree are eligible for medical benefits. Upon the death of a covered retiree, coverage for a spouse or domestic partner of such retiree may continue provided that the spouse/domestic partner meets the applicable eligibility requirements for life.

The above list is provided as a summary only and is qualified in all respects by the laws, regulations and agreements applicable to the specific situation of each employee.

The City will be required to begin reporting the liability and related information for unfunded post-retirement medical benefits in the City's financial statements for the fiscal year ending June 30, 2008. This new reporting requirement is defined under the Government Accounting Standards Board Pronouncement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45")*. GASB 45 does not require that the affected government agencies, including the City, actually fund any portion of this post-retirement health benefit liability—rather it requires that government agencies start to record and report a portion of the liability in each year if they do not fund it. GASB 45 requires that non-pension benefits for retirees, such as retiree health care, be shown as an accrued liability on the City's financial statements starting in fiscal year 2007-08.

To help plan for the implementation of GASB 45, the City requested that a preliminary actuarial valuation of this liability. In its November 1, 2007 report on GASB 45 Valuation Results and Plan Design, Mercer Consulting estimated that if the City were to have a Funded Plan to cover post-employment medical benefits, the projected liability would be $2.62 billion and have an annual required contribution for fiscal year 2006-07 of $257.0 million, assuming an 8.0 percent return on investments, while covering all City operations, including those that are General Fund supported. In fiscal year 2006-07, the City's expenditures included $102.6 million for retiree health subsidies, which represented only the amount needed to pay for current costs due during the fiscal year. The additional potential liability to the City would, therefore, be the difference between the Mercer estimate and the fiscal year 2006-07 expenditures. The calculations in the Mercer Report are sensitive to a number of critical assumptions, including but not limited to the projected rate of increases in health plan costs.

Total City Fringe Benefits Costs

The City continued to budget funding for currently due benefits costs using a "pay-as-you-go" approach in the fiscal year 2007-08 Original Budget. Additionally, to begin to address the issue of accrued liabilities for future retiree health costs, the City created a new Post Employment Benefits Fund and budgeted an initial $500,000 contribution in the fiscal year 2007-08 Original Budget. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Below in Table A-19, a five-year history is provided for all fringe benefits costs paid including pension, health, dental and other miscellaneous fringes. For all years shown, a "pay-as-you-go" approach was used by the City.

As part of the planning for how the City will address this issue, Memoranda of Understanding negotiated in 2006 with City labor unions included a provision calling for a City-wide Retiree Health Benefits Committee to develop recommendations regarding funding of retiree health benefits. Any recommendation of the Committee must be reviewed and approved under the City's legislative and/or Charter amendment processes before it is implemented. The Committee met twice in 2006, and has held monthly meetings in 2007. The Committee's current activities include reviewing area and industry practices with respect to retiree health benefits, and developing an understanding of the scope of future obligations contained in collective bargaining agreements and the City Charter.

TABLE A-20

CITY AND COUNTY OF SAN FRANCISCO
Total Fringe Benefit Costs
Fiscal Years 2002-03 through 2006-07
Actuals, GAAP Basis

	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Retirement	$ 118,195,016	$ 31,864,833	$ 114,137,336	$ 174,738,472	$ 202,607,710
Social Security & Medicare	117,693,229	118,167,491	116,589,364	121,589,065	136,241,775
Health - Medical	159,076,734	176,118,127	185,840,015	194,950,403	220,483,696
Health - Retiree Medical	58,465,398	72,152,041	86,529,571	96,286,433	102,062,188
Health - Dental	32,632,052	31,460,055	33,628,822	34,225,398	36,141,082
Other Fringes	10,448,053	9,215,906	16,063,001	19,315,549	36,057,549
Total Fringe Costs	**$ 496,510,482**	**$ 438,978,453**	**$ 552,788,109**	**$ 641,105,320**	**$ 733,594,000**

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

Litigation

There are a number of lawsuits and claims pending against the City, including those summarized in Note 16 to the City's CAFR as of June 30, 2007, attached as Appendix C to this Official Statement, as well as those described in this Appendix A under "Business Taxes" above. 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 as are presently pending will not impair the ability of the City to make debt service payments or otherwise meet its General Fund lease or debt obligations, nor materially impair the City's ability to fund current operations.

APPENDIX B

CITY AND COUNTY OF SAN FRANCISCO
ECONOMY AND GENERAL INFORMATION

This Appendix contains information that is current as of April 1, 2008.

Area and Economy

The corporate limits of the City and County of San Francisco (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 on a peninsula bounded by the Pacific Ocean to the west, the Bay to the east, the entrance to the Bay and the Golden Gate Bridge to the north and San Mateo County to the south.

The City is the economic center of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (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 industries include heavy manufacturing, high technology, semi-conductor manufacturing, petroleum refining, biotechnology, food processing and production and fabrication of electronics and aerospace equipment. Non-manufacturing industries, including convention and tourism, finance and international and wholesale trade, are characteristic of the City and constituted up to 98% of total employment in the City in 2007.

Population and Income

"The City had a population estimated at 747,069 as of fiscal year 2007. The table below reflects the population and per capita income of the City, as estimated by the Controller's Office."

TABLE B-1

POPULATION AND INCOME
1998-2007

Year	Population [1]	Per Capita Personal Income [2]
1998	770,262	44,371
1999	774,716	48,201
2000	776,885	55,715
2001	775,257	56,085
2002	763,400	54,353
2003	752,853	54,308
2004	743,852	58,244
2005	741,025	62,614
2006	744,041	66,383
2007	747,069	69,638

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

Conventions and Tourism

According to the San Francisco Convention & Visitors Bureau, during the calendar year 2006 approximately 15.8 million people (124,628 average per day) visited the City, generating approximately $7.76 billion for local businesses. On average, these visitors spent about $244 per visitor per day and stayed three to four nights.

Also, as reported by PKF Consulting, hotel occupancy rates in the City averaged 77.9% for calendar year 2007, an increase of 3% over the previous year. Average daily San Francisco room rates during 2007 increased about 7.1% to an average of $182, compared to the prior year.

Although visitors who stay in City hotels accounted for only 35.0% of total out-of-town visitors, the Convention & Visitors Bureau estimates that such visitors generated 65.0% of total spending by visitors from outside the Bay Area. It is estimated that 40.0% of visitors to the City are on vacation, 35.0% are convention and trade show attendees, 22.0% are individual business travelers and the remaining 3.0% are en route elsewhere. International visitors are estimated to make up between 25.0% and 35.0% of overnight hotel visitors. U.S government estimates show that San Francisco's top five inbound overseas markets in 2007 were the United Kingdom, Japan, France, Germany, and Australia. In 2006, San Francisco was ranked third in market share for international visitors to the USA, behind New York and Los Angeles, even with Orlando, and ahead of Miami, Honolulu, and Las Vegas. The following table illustrates hotel occupancy and related spending from calendar years 2001 through 2006.

TABLE B-2

CITY AND COUNTY OF SAN FRANCISCO
San Francisco Overnight Hotel Guests

Calendar Year	Annual Average Hotel Occupancy (%)	Visitors Staying in Hotels or Motels (000s)	Estimated Hotel Visitor Spending (000s)
2001	67.0%	3,550	$3,700,000
2002	65.4	3,470	3,500,000
2003	68.1	3,860	3,680,000
2004	73.4	4,200	4,070,000
2005	75.7	4,500	4,500,000
2006	76.4	4,500	4,780,000

Source: San Francisco Convention & Visitors Bureau.

According to the San Francisco Convention & Visitors Bureau, a non profit membership organization, as of June 1, 2007, convention business was almost at full capacity at the Moscone Convention Center and was at strong levels at individual hotels providing self-contained convention services. The City completed construction of an expansion to the Moscone Convention facilities in spring 2003. With the expansion, the Moscone Convention Center offers over 700,000 square feet of exhibit space covering more than 20 acres on three adjacent blocks.

Employment

The City benefits from a highly skilled, educated and professional labor force. Key industries include tourism, real estate, banking and finance, retailing, apparel design and manufacturing. Emerging industries include multimedia and bioscience. According to the State Employment Development Department, the unemployment rate for the City was 4.2% for December 2007 compared with an unadjusted unemployment rate of 5.9% for California. According to the U.S. Department of Labor, the unadjusted unemployment rate for the nation for December 2007 was 4.8%.

TABLE B-3

CITY AND COUNTY OF SAN FRANCISCO
Civilian Labor Force, Employment, and Unemployment [1][2]
December 2006 and December 2007 [3]

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate
December 2007				
San Francisco	433,200	413,900	19,300	4.5%
State	18,394,100	17,314,600	1,079,500	5.9%
December 2006				
San Francisco	428,500	412,600	15,900	3.7%
State	18,040,800	17,215,600	825,200	4.6%

[1] Civilian labor force data are by place of residence; include self-employed individuals, unpaid family workers, household domestic workers, and workers on strike

[2] San Francisco is in a multi-county Metropolitan Statistical Area (MSA) or Metropolitan Division (MD). Industry employment data are only available for the MSA or MD, not the City. The MSA Counties include: San Francisco, Marin, and San Mateo Counties.

[3] Data not seasonally adjusted.

Source: Labor Market Information Division of the California Employment Development Department (EDD).

TABLE B-4

CITY AND COUNTY OF SAN FRANCISCO
Estimated Average Annual Employment by Sector in 2002-2006[1]

	2002	2003	2004	2005	2006
Professional and Business Services	111,600	103,400	100,400	105,000	111,000
Government	84,400	83,700	81,700	82,600	83,800
Leisure and Hospitality	69,900	69,600	70,700	72,100	74,000
Trade, Transportation and Utilities	74,200	71,200	70,000	69,600	69,700
Financial, Insurance & Real Estate	63,500	59,100	57,000	57,300	58,000
Educational and Health Services	51,700	53,200	54,400	55,100	56,000
Other Services	22,500	21,700	21,100	21,300	21,400
Information	23,700	20,500	19,100	17,300	18,100
Natural Resources, Mining & Construction	17,900	17,300	16,000	16,600	17,500
Manufacturing	15,100	13,100	12,300	11,400	11,100
Total	534,500	512,800	502,700	508,300	520,600

[1] San Francisco is a multi-county Metropolitan Statistical Area (MSA) or Metropolitan Division (MD). Most recent annual data available.

Source: California Employment Development Department.

Table B-5 below lists the 10 largest employers in the City as of December 2007.

TABLE B-5

CITY AND COUNTY OF SAN FRANCISCO
Largest Employers in San Francisco
As of December 30, 2007

Employer	Number of Employees in SF	Nature of Business
City and County of San Francisco	26,656	City government
University of California, San Francisco	18,200	Education
Wells Fargo & Co.	8,718	Financial services
California Pacific Medical Center	6,600	Health care
State of California	6,021	State government
Charles Schwab Corp.	4,600	Financial services
United States Postal Service, San Francisco District	4,571	Postal service
PG&E Corp.	4,350	Utility
Gap Inc.	4,172	Specialty retailer
San Francisco State University	3,831	Education

Source: San Francisco Business Times, Book of Lists 2008.

Taxable Sales

The following table reflects a breakdown of taxable sales for the City for the period 2002-06. Total retail sales increased in 2006 by approximately $539.0 million compared to 2005. Business and personal services and other outlet taxable sales increased in 2006 by approximately $866.2 million compared to 2005.

TABLE B-6

CITY AND COUNTY OF SAN FRANCISCO
Taxable Sales - Calendar Year 2002-2006
($000s)

	2002	2003	2004	2005	2006[1]
Apparel	$737,396	$760,715	$826,686	$880,718	$941,299
General Merchandise	1,051,122	1,065,160	1,143,657	1,199,308	1,280,908
Food Stores	403,163	405,673	419,286	439,472	454,970
Speciality Stores	1,889,144	1,910,757	2,084,323	2,212,530	2,322,789
Eating/Drinking	1,844,385	1,879,879	2,067,418	2,237,384	2,367,548
Household	459,529	484,455	527,519	575,985	598,279
Building Materials	310,111	320,316	353,002	397,218	428,795
Automotive	803,109	804,964	850,984	956,031	1,031,786
Other Retail Stores	143,999	135,582	141,906	151,142	162,146
Retail Stores Total	$7,641,958	$7,767,501	$8,414,781	$9,049,788	$9,588,520
Business and Personal Services	$1,043,019	$945,689	$937,411	$939,108	$999,112
All Other Outlets	2,904,463	2,784,369	2,855,315	3,037,078	3,304,556
Total All Outlets	$11,589,440	$11,497,559	$12,207,507	$13,025,974	$13,892,188

[1] Most recent annual data available.

Source: California State Board of Equalization - Taxable Sales in California (Sales & Use Tax) Annual Reports.

Building Activity

Table B-7 shows a summary of building activity in the City for fiscal years 2000-01 through 2004-05. According to the City's Department of Building Inspection, the total value of building permits was $434.0 million in fiscal year 2004-05.

TABLE B-7

CITY AND COUNTY OF SAN FRANCISCO
Building Activity 2003-2005 ($000s)

Fiscal Year Ended June 30	Authorized New Dwelling Units	Value of Building Permits Residential	Non-Residential	Total
2001	2,570	$381,623	$725,313	$1,106,936
2002	3,273	299,028	364,801	663,829
2003	1,279	214,244	57,455	271,699
2004	1,726	307,603	122,377	429,980
2005	1,961	362,760	71,251	434,011

Source: San Francisco Department of Building Inspection, Central Permit Bureau.

Banking and Finance

The City is a leading center for financial activity. The headquarters of the Twelfth Federal Reserve District are located in the City, as are the headquarters of the Eleventh District Federal Home Loan Bank and the regional Office of Thrift Supervision. Wells Fargo Bank, First Republic Bank, Union Bank of California, United Commercial Bank, Bank of the Orient and Charles Schwab & Co., the nation's largest discount broker, are headquartered in the City. Investment banks located in the City include Banc of America Securities LLC, Deutsche Banc Alex Brown, Thomas Weisel Partners LLC, and Pacific Growth Equities.

Commercial Real Estate

According to the 4th Quarter 2007 Report from CB Richard Ellis ("CBRE"), the City-wide vacancy rate increased 20 basis points to 8.4% as San Francisco posted 277,000 square feet of absorption in the 4th quarter of 2007. The average Class A asking rent City-wide is $ 48.20 per square foot ("psf ") (up from $44.49 psf in the 3rd quarter 2007), with Civic Center average Class A asking rent at $32.25 psf (down from $35 psf from the prior quarter) according to the CBRE Report.

Major Real Estate Development Projects

Major privately financed and owned projects currently under development include:

The Octavia Boulevard Project, a ground-level six-lane boulevard between Market and Hayes Streets, opened in the Fall of 2005. The redevelopment of this roadway system has opened up approximately 7.2 acres of property to be used for the construction of 750 to 900 housing units. In early 2007, three of the parcels were sold to housing developers after an extensive Request for Proposals and public design review competition.

Transbay - In late 2007, the Transbay Joint Powers Authority selected the team of Pelli Clarke Pelli Architects and Hines to enter into exclusive negotiations. Hines offered $350 million for the right to build a supertall tower and transit hub at Mission and First Streets. Under the current proposal the tower would have 1.6 million s.f.

Hunters Point Shipyard - Phase 1 - Lennar/BVHP completed mass grading and has started infrastructure construction for the first phase of development on Parcel A, which will include 1,500 units (about 30% set aside as affordable), 1.5 acres of improved land dedicated to community facilities, 34 acres of improved open space, and numerous community benefits, including an estimated $18 million Legacy Fund (the result of a unique transaction structure in which the Redevelopment Agency, and in turn the community, shares in the financial upside of the development). Lennar is investing $90 million in infrastructure; environmental remediation and grading for phase one. The first finished lots are scheduled to be delivered to homebuilders in 2008, with finished units on the first blocks available approximately 12 months later, by late 2009.

Hunters Point Shipyard/Candlestick Point Phase 2. - There has been progress on efforts to redevelop Phase 2 of the Hunters Point Shipyard, expanding the development project area to include Candlestick Point. In mid-2007, the City's Redevelopment Agency Commission and the Board of Supervisors endorsed the conceptual framework to guide the City, the Redevelopment Agency, and Lennar Communities in planning an integrated, mixed-use project at the Candlestick Point Area of the Bayview Hunters Point ("BVHP") and the Hunters Point Shipyard Redevelopment Project Areas. The combined project includes 8,500 housing units, 2.0 million s.f. of R&D uses geared toward digital arts, green technology and biotechnology, 500,000-700,000 s.f. of retail, 350 acres of open space, and the rehabilitation and rebuild of public housing projects. President Bush recently signed an appropriation containing $82 million for Navy cleanup at Hunters Point Shipyard - a $20 million increase over what the government has committed annually over the past several years. In addition, City voters are being asked on the June 3, 2008, ballot to give their approval to the project, replacing and updating the 1997 bond authorization that approved $100 million in public financing and land use rule changes to allow a new 49ers stadium and shopping mall at Candlestick.

Treasure Island - Progress has been made at Treasure Island, including Board of Supervisors endorsement of the Term Sheet for the overall project in 2007. At the present stage of design and negotiation, the proposed conceptual development program consists of approximately 300 acres of parks and open space slated for water-oriented, recreational, and natural and passive uses. Approximately 5,500 residential units are part of the proposed plan, 30 percent of which are below market rates and more than 400 of which are allotted for formerly homeless San Franciscans – an effort coordinated in partnership with the nationally recognized Treasure Island Homeless Development Initiative. The development is clustered around a new ferry terminal, and is designed to prioritize walking, biking and transit. The proposed development includes a system of storm-water treatment wetlands, rigorous "green" building standards and maximization of renewable energy. A vibrant mixed-use commercial district, including hotel accommodations, retail and entertainment venues and cultural exhibitions, will comprise the core of Treasure Island.

Mint Plaza - adjacent to the Old Mint, opened in late 2007. The 18,000 s.f. portion of Jessie Street extending between 5th Street and Mint Street, now closed to automobile traffic, was redesigned to accommodate a wide range of uses, including art, theatre, live music, cafés, and street fairs.

Transportation Facilities

San Francisco International Airport

San Francisco International Airport ("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 and management of SFO. SFO 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 San Francisco Bay. According to final data for calendar year 2006 from the Airports Council International (the "ACI"), SFO is one of the largest airports in the United States in terms of passengers. SFO is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic. In fiscal year 2006-07, SFO served approximately 33.9 million passengers and handled 572.3 thousand metric tons of cargo.

During fiscal year 2006-07, 57 airlines served SFO. Domestic air carriers provided scheduled non-stop and one-stop service to over 90 destinations in the United States. Twenty-nine airlines provided nonstop and one-stop scheduled passenger service to over 50 international destinations. United Airlines operates one of its three major U.S. hubs at SFO. During fiscal year 2006-07, United Airlines (including Ted, their low cost carrier operation and Skywest that operates as United Express) handled approximately 48.6% of the total enplaned passengers at SFO and accounted for approximately 23% of SFO's total revenues.

The San Francisco Bay Area Rapid Transit ("BART") extension to SFO provides a convenient connection between SFO and the greater San Francisco Bay Area that is served by BART. An intermodal station in the City of Millbrae provides a direct link to Caltrain offering additional transit options and connection to the southern parts of the Bay Area. Access from the BART station throughout SFO is enhanced by the AirTrain system, a shuttle train that connects airport terminals.

The AirTrain system provides transit service over a "terminal loop" to serve the terminal complex and also over a "north corridor loop" to serve the rental car facility and other locations situated north of the terminal complex. The AirTrain stations are located at the north and south sides of the International Terminal, Terminals 1, 2 and 3, at the two short-term International Terminal Complex ("ITC") parking garages, on Lot "D" to serve the rental car facility, and on McDonnell Road to serve the West Field area of SFO.

Table B-8 presents certain data regarding SFO for the last five fiscal years.

TABLE B-8

SAN FRANCISCO INTERNATIONAL AIRPORT
Passenger, Cargo and Mail Data for
Fiscal Years ending June 30, 2003 through 2007

	Passengers		Cargo Traffic	
Fiscal year Ended 30-Jun	Enplanements and Deplanements	Annual Percent Change	Freight and Express Air (Metric Tons)	U.S. and Foreign Mail (Metric Tons)
2003	29,174,229	-5.70%	517,419	89,536
2004	30,771,464	5.50%	472,964	79,154
2005	32,648,635	6.00%	512,800	74,717
2006	32,987,672	1.00%	524,856	68,715
2007	33,855,382	2.60%	513,726	58,599

Source: San Francisco Airport Commission.

Port of San Francisco

The Port of San Francisco (the "Port") consists of 7.5 miles of San Francisco Bay waterfront which are held in "public trust" on behalf of all the people of California. The State transferred administrative responsibility for the Port to the City in 1968. The Port is committed to promoting a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, as well as protecting the natural resources of the waterfront and developing recreational facilities for public use.

The Port is governed by a five-member Port Commission which is responsible for the operation, management, development and regulation of the Port. All revenues generated by the Port are to be used for Port purposes only. The Port has no taxing power.

The Port posted an increase in net assets of $21.9 million for the fiscal year ended June 30, 2007. Operating income totaled $53 thousand for the year.

Port properties generated $61.2 million in operating revenue in fiscal year ended 2006-07, as shown in the table below.

TABLE B-9

PORT OF SAN FRANCISCO
FISCAL YEARS 2006 AND 2007 OPERATING REVENUES
($000s)

Business Line	FY 05-06 Audited Revenue	Percentage of 2006 Revenue	FY 06-07 Audited Revenue	Percentage of 2007 Revenue
Commercial & Industrial Rent	$35,803	61.1%	$36,496	59.6%
Parking	9,122	15.6%	10,514	17.2%
Cargo	4,181	7.1%	4,152	6.7%
Fishing	1,609	2.8%	1,760	3.0%
Ship Repair	1,105	1.9%	1,332	2.2%
Harbor Services	1,003	1.7%	887	1.4%
Cruise	2,065	3.5%	1,763	2.9%
Other Maritime	1,272	2.2%	1,391	2.3%
Other	2,428	4.1%	2,898	4.7%
TOTALS	$58,588	100.0%	$61,193	100.0%

Source: Port of San Francisco Audited Financial Statements.

In June 1997, the Port Commission adopted a Waterfront Land Use Plan (the "Port Plan") which established the framework for determining acceptable uses for Port property. The Port Plan calls for a wide variety of land uses which retain and expand historic maritime activities at the Port, provide revenue to support new maritime and public improvements, and significantly increase public access.

After adoption of the Port Plan, the Port worked with the City's Planning Commission, the Board of Supervisors, and the San Francisco Bay Conservation and Development Commission, to align the waterfront policies for these agencies. Together, these efforts have enabled several large scale waterfront development projects to proceed.

Since 1997, the Port has overseen the successful completion of the following developments: AT&T Park, the home of the San Francisco Giants baseball team; a maritime office development on Pier 1; a renovation of the Port's Ferry Building; the Downtown Ferry Terminal project; a historic rehabilitation of

Piers 1½, 3, and 5; Rincon Park, a two-acre park and public open space located along the Embarcadero Promenade; and a restaurant development located at the south end of Rincon Park.

Major development projects currently in negotiation and/or construction include a mixed use recreation and historic preservation project at Piers 27-31, and the development of an interactive science museum at Piers 15-17.

The Port is also in the final stages of constructing a $27 million inter-modal bridge to provide direct rail and truck connections between Piers 80 and 94-96 along the Illinois Street right of way located in the Southern Waterfront. Funding for this project is derived from a combination of federal, state, and local grants, a capital contribution from Catellus Corporation, and Port funds.

The following development projects are in various stages of planning; a new cruise terminal development, a new waterfront park known as Brannan Street Wharf, and a 14-acre mixed-use opportunity area located at Pier 70 in the Southern Waterfront.

Other Transportation Facilities

The San Francisco Bay is surrounded by the nine counties comprising the Bay Area. Although the Bay itself creates a natural barrier for transportation throughout the region, several bridges, highways and public transportation systems connect the counties. The majority of the transportation modes throughout the Bay utilize San Francisco as a hub, and provide access into the City itself for commuting, entertainment, shopping and other activities. The major transportation facilities connecting the City to the remainder of the region include the Golden Gate and Bay Bridges, the BART rail line, CalTrain, the Valley Transportation Authority, and the Alameda-Contra Costa, San Mateo, Santa Clara and Golden Gate Transit Districts' bus lines. Public and private companies also provide ferry service across the Bay.

Other transportation services connect the Bay Area to the State, national and global economy. In addition to SFO, the Bay Area is served by two other major airports: the Oakland International Airport in Alameda County and the San Jose International Airport in Santa Clara County. These airports provide the Bay Area's air passengers with service to all major domestic cities and many international cities and are important cargo transportation facilities.

The Port of Oakland is an important cargo and transportation facility for the Bay Area providing a strong link to the Pacific Rim. The Port of Oakland is served by three major railroads with rail lines and/or connections to the Midwest and beyond.

Education

Elementary and secondary public education is provided in the City by the San Francisco Unified School District (the "SFUSD"). The SFUSD has a board of seven members who are elected Citywide. Schools within the SFUSD are financed from available property taxes and State, federal and local funds. The SFUSD operates 71 elementary school sites, 15 middle schools, 19 senior high schools, one adult program and 28 State-funded preschool sites. The SFUSD currently sponsors 10 independent charter schools.

Colleges and Universities

Within the City, the University of San Francisco and California State University, San Francisco offer full four-year degree programs of study as well as graduate degree programs. The University of California, San Francisco is a health science campus consisting of the schools of medicine, dentistry, nursing, pharmacy and graduate programs in health science. The Hastings College of the Law is affiliated with the University of California. The University of the Pacific's School of Dentistry and Golden Gate University are also located in the City. City College of San Francisco offers two years of college-level study leading to associate degrees.

The nine-county Bay Area region includes approximately 20 public and private colleges and universities. Most notable among them are the University of California, Berkeley and Stanford University. Both institutions offer full curricula leading to bachelors, masters and doctoral degrees, and are known worldwide for their contributions to higher education.

APPENDIX C

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
Year ended June 30, 2007

Prepared by:
Office of the Controller

Edward Harrington
Controller

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CITY AND COUNTY OF SAN FRANCISCO

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007

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

Photo by Philip H. Coblentz, San Francisco Convention & Visitors Bureau

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

December 21, 2007

The Honorable Mayor Gavin Newsom
The Honorable Members of the Board of Supervisors
Citizens of the City and County of San Francisco
San Francisco, California

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the fiscal year ended June 30, 2007, with the Independent Auditor's Report. The report is submitted in compliance with City Charter sections 2.115 and 3.105, and California Government Code Sections 25250 and 25253. The Office of the Controller prepared the CAFR in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB).

The City is responsible for the accuracy of the data and for the completeness and fairness of its presentation. The existing comprehensive structure of internal accounting controls in the City provides reasonable assurance that the financial statements are free of any material misstatements. 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 to its financial position as measured by the financial activity of its various funds. I am confident that the included disclosures provide the reader with an understanding of the City's financial affairs.

The City's Charter requires an annual audit of the Controller's records. The records have been audited by Macias Gini & O'Connell LLP and are presented in this CAFR. The CAFR also incorporates financial statements for San Francisco International Airport, the San Francisco Water Enterprise, Hetch Hetchy Water and Power, the Municipal Transportation Agency, the San Francisco Wastewater Enterprise, the Port of San Francisco, the City of San Francisco Market Corporation, the City and County of San Francisco Finance Corporation, the City and County of San Francisco Health Service System, the San Francisco City and County Employees' Retirement System, and the San Francisco Redevelopment Agency.

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

Key CAFR Sections

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

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

The financials of several enterprise activities and of all component units of government are included in this CAFR. Some component units' financials are blended with the City's, such as: the San Francisco County Transportation Authority, the San Francisco Finance Corporation, and the San Francisco Parking Authority. The reason for this is that the primary government is financially accountable for the operations of these agencies. In other instances, namely, for the San Francisco Redevelopment Agency and the Treasure Island Development Authority, financial reporting is shown separately.

The **Statistical Section** includes up to ten years of historical financial data and miscellaneous social and economic information that conforms to GASB standards for reporting—Statement No. 44. This section may be of special interest to prospective investors in our bonds.

Profile of San Francisco's Government

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

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

San Francisco's Budgetary Process

The City adopts annual budgets for all governmental funds and typically adopts project-length budgets for capital projects and certain debt service funds. The budget is adopted at the character level of expenditure within each department, and the department level and fund is the legal level of budgetary control. Note 2(c) to the Basic Financial Statements summarizes the budgetary roles of City officials and the timetable for their various budgetary actions according to the City Charter.

San Francisco's Economy: Strongest in Many Years

By the end of fiscal year 2006-2007 (June 30, 2007), San Francisco's economy was the healthiest it has been in several years. While the national downturn in housing prices, and associated credit crunch and macroeconomic uncertainty are genuine causes for concern, San Francisco itself has little exposure to sub-prime mortgages, and its property tax base is not materially at risk. Housing prices have continued to grow at robust levels. Compared with other areas of the state and country, San Francisco is expected to weather any downturn comparatively well.

Preliminary data indicate that the number of employed residents in San Francisco rose by 9,900 people between June 2006 and June 2007. Final annual employment data indicates that 12,200 new jobs were added in calendar year 2006. Combined with the 5,500 jobs added in 2005, San Francisco has added 17,700 new jobs in the last two years. This reversed four consecutive years of job loss from 2000 to 2004.[1] Annual average unemployment for 2006 fell to 4.2 percent in San Francisco, the lowest point since the boom year of 2000, and the year-to-date average unemployment rate through June 2007 remained at 4.2 percent.

A healthy tourism industry, significant growth in professional and financial services, and a recovering population have contributed to these positive trends. Tourism helped to improve the City's retail and hospitality sectors, which translated into greater hotel and sales tax revenues for City government.

Real estate market investing in office and housing markets continued to sustain the construction pipeline, as well as increasing property and transfer tax revenues. According to a recent report from the Urban Land Institute and PriceWaterhouseCoopers, San Francisco has the fifth-best real estate investment

[1] California Employment Development Department (EDD), Current Employment Statistics (CES) series, 10/4/2007.

market in the country, ahead of San Jose, Los Angeles, and San Diego[2]. San Francisco ranked in the top five in residential, office, and retail development, and led the nation in hotel development potential.

The national housing downturn, and relatively high levels of construction since 2004, have changed San Francisco's housing situation over the past year. From December 2005 to December 2006, the median home declined by 1 percent, from $750,000 to $745,000[3]. Over the full 2006-2007 fiscal year however, the median sales price increased by 4.4 percent, rising to $825,000 by June 2007[4]. This is partly evidence of San Francisco's strong fundamentals in housing, and partly due to the fact that higher-priced properties appear to be selling more quickly.

Key Economic Outcomes

Several important economic outcomes for San Francisco are discussed in more detail in the following sections.

Population: Clear Recovery After 2005

Since 2000, the California Department of Finance and the U.S. Census Bureau have released significantly different estimates of San Francisco's population. In 2006, for the first time since 2000, both sources indicated a rise in San Francisco's population. The Census reported that San Francisco's population stood at 744,041 as of July 1, 2006, representing a 0.4 percent increase over 2005. The California Department of Finance reported 802,651 for 2006, indicating a 0.8 percent increase over 2005.

Census data confirms the City's population has changed in economically significant ways. Very large numbers of young adults moved to San Francisco during the late 1990s, but over 50,000 people in that age group left the City between 2000 and 2004 as job growth declined. According to the Census Bureau's American Community Survey, however, this trend began to reverse itself in 2004. Between 2004 and 2006 the number of young adults in their twenties in San Francisco rose by over 6,400.

Employment: One of the Nation's Fastest-Growing Counties

The wage and salary employment base of San Francisco grew by over 12,200 jobs during calendar year (CY) 2006, from 508,400 to 520,600[5]. This 2.4 percent growth is the fastest rate of job increase since 1999-2000, and ranked San Francisco 87th in job growth among over 3,000 U.S. counties. Of particular note, San Francisco's recent job growth rate surpassed Santa Clara, Alameda, and Contra Costa counties within the Bay Area.

Unemployment: Down to 2000 Levels

San Francisco's annual unemployment rate for fiscal year 2006-2007 fell to 4.1 percent. In December 2006, the unemployment rate dipped to 3.7 percent, with only 15,800 San Francisco residents unemployed. That represented the lowest monthly unemployment total since December 2000.

Average Wages: Rising Rapidly

Despite the recession associated with the technology slump of the early 2000s, average wages in San Francisco have continued to grow at higher rates than the state or nation. San Francisco's average annual wage, across all industries, grew to $70,825 in CY 2006 – a 6.4 percent increase over CY 2005[6]. By comparison, average wages nationally grew by only 4.5 percent and by 4.6 percent in California. As

[2] *Emerging Trends in Real Estate 2008*, Urban Land Institute and PriceWaterhouseCoopers
[3] California Association of Realtors, *December 2006 Median Home Prices*.
[4] California Association of Realtors, *June 2007 Median Home Prices*.
[5] California Employment Development Department (EDD), Current Employment Statistics (CES) series, 10/4/2007
[6] U.S, Bureau of Labor Statistics, Quarterly Census of Employment and Wages

discussed in more detail below, the expansion of San Francisco's high-wage professional services sector, as well as dramatically rising wages in financial services, are largely responsible for the growth.

Bond Ratings: Holding Strong

The City's fiscal health continues to improve as reflected in investment grade bond ratings on the City's municipal debt. Moody's, Standard & Poor's and Fitch affirmed the City's general obligation bond ratings of Aa3, AA and AA-, respectively. The credit outlook on the City's municipal debt was affirmed "Positive" by Moody's and Fitch and "Stable" by Standard and Poor's. The rating agencies each cited the City's strong underlying economy or accelerating economic growth, highlighting the broad and resilient real estate sector in particular. Prudent financial management has also been cited.

San Francisco's Major Industries

San Francisco's economy is dependent on the global competitiveness of two sets of industry clusters: knowledge-based businesses centered around professional, financial, and information services, and experience-based businesses centered on tourism. San Francisco's recovery is due in no small measure to the resurgence of these key elements of its economy. The major industries within these clusters are detailed in this section, with a focus on the most recently-available job data.

In addition, a profile of some new San Francisco companies in each cluster are included below. In CY 2006, 22 major businesses relocated to San Francisco. From January to June 2007, 24 companies had relocated or announced their intentions to relocate to San Francisco. About half of these 2007 moves involved relocations of headquarters operations to the city, while the rest were branch offices of companies moving to San Francisco for the first time.

Finance, Professional, and Headquarters Services: Rapid Growth, and Rising Wages

The core of San Francisco's knowledge-based economy is its large downtown concentration of corporate headquarters, banks and financial services companies, and professional services such as law firms and consultants. The extraordinary strength of these industries is a significant source of San Francisco's current prosperity.

San Francisco's job growth rate is more than twice the national average
In December 2006, San Francisco held 129,316 jobs in financial services, professional services, and corporate headquarters establishments[7]. As a group, employment in these industries grew at the very rapid rate of 6.5 percent in San Francisco between CY 2005 and CY 2006, adding over 8,000 jobs. Nationally, the same industries grew by only 3.2 percent during the same time period.

Inflation-adjusted wages are growing rapidly as well
The increase in average San Francisco wages in these industries are as significant as their employment gains. Adjusted for the Bay Area's Consumer Price Index (CPI-U/SF), average wages in the City's financial services sector increased at 9.1 percent per year between 2003 and 2006, 3.3 percent per year in professional services, and 4.9 percent per year in headquarters establishments.

San Francisco is increasingly becoming a venture capital center
San Francisco has long been a financial services center, but in recent years it has seen growth in firms serving the high technology industries in particular. Several venture capital (VC) firms have moved or expanded in San Francisco to serve the emerging industries in the City and Bay Area region. These include Francisco Partners, a $5 billion private equity group, which relocated from Santa Clara County into space within the Presidio's Letterman Digital Arts Complex, in mid-2007. It joined three other venture capital firms in the Presidio, earning this location the nickname "Sand Hill North" in reference to the concentration of VC firms in Menlo Park, 30 miles to the south. Several other VC firms have relocated to Mission Bay to concentrate on its burgeoning biotechnology industry, including Column Group, Versant

[7] NAICS codes 52, 53, and 55.

Ventures, Novo Ventures, and Arch Venture Partners putting four top biotech VC firms in close proximity to other Mission Bay tenants, including Sirna and Pharmion.

Tourism and Hospitality: Strong Recovery, Rising Hotel Rates

The other major segment of San Francisco's economic base is the tourism and hospitality industry. Like the downtown office services, tourism has experienced a very strong recovery since the recession of the early 2000s.

Employment growth far outpacing the national average
There were 74,162 people working in arts, recreation, cultural services, accommodation, and food services in San Francisco at the end of 2006. This represents an increase of 2,578 jobs over CY 2005, for a 3.6 percent increase. Again, San Francisco's growth rate outpaced the national growth rate of 2.2 percent.

Visitor spending up 5.3 percent in the past year
After a 4.1 percent increase in visitors between 2004 and 2005, the San Francisco Convention and Visitors Bureau (SFCVB) reported a 0.3 percent increase in San Francisco visitors between 2005 and 2006, with a total of 15.8 million visitors in 2006.[8] These visitors spent an estimated $7.76 billion in the City in 2006, a 5.3 percent increase in spending compared to 2005. The fact that spending is increasingly far more rapidly than visitors indicates that average amount a visitor is spending is also rising; this is a key element of the City's tourism strategy.

Rising room rates driving heavy investment in hotels
In line with the increasing number of visitors, the hotel sector has continued its recovery, with both occupancy and average daily rates (ADR) increasing in 2007 over 2006 figures. Hotels city-wide reported an ADR of $175.66 for the first half of the year, a 4.4 percent increase from the same period in 2006, and up 21.3 percent since the end of 2003[9], Mid-year occupancy rates increased 2.5 percent over last year, to a healthy 74.7 percent. 86 hotel rooms were added in 2006, and developers and hotel operators are bullish on the San Francisco market: about 2,800 rooms are in the development pipeline.

Retail sales growth stays strong in the face of decline across the state
Retail sales are closely tied to the visitor industry in San Francisco. Sales growth was a strong 5.3 percent in FY 2006-2007, consistent with the recovery of tourism and the overall economy. In fact, the City's retail sales tax receipts for FY 2006-2007 surpassed the previous high-water mark experienced during the height of the dot-com boom in FY 2001-2002. This indicates that the City has achieved full recovery on the retail sales tax side in six years. As a point of comparison, several other large Bay Area cities are not projected to recover fully for another six years.

San Francisco: the global gateway
In June 2007, the SFCVB launched several new initiatives and strategies to more actively market the City, and encourage visitors to extend their stay and increase their spending. These include focusing on less well-known, more socially-progressive aspects of the City, touting the City's environmental credentials, and marketing a wider set of city neighborhoods. It also includes targeting international travelers, who are thought to be especially attracted to progressive and cosmopolitan San Francisco. These target markets include China and India, as well as traditional markets like the United Kingdom and Japan. Given the recent decline of the US dollar against other major currencies, San Francisco's worldwide brand and wide international appeal will likely keep growth strong and help insulate the City from other economic risks.

[8] San Francisco Convention and Visitor Bureau, "Visitor Industry Economic Impacts, 2006."
[9] PKF Consulting.

Emerging Technology Industries

Information and Digital Media: clear signs of recovery
Since the mid-1990s, the Information sector[10]—consisting of software products, traditional and internet-based media publishing, film, music, digital media, and television—has emerged as an important component of San Francisco's economic base. Hard-hit by the recession, San Francisco's information sector has nevertheless begun to recover, posting an impressive 4.6 percent employment growth rate during CY 2007. In December 2006, San Francisco had 18,100 jobs in the Information sector, according to California's Employment Development Department.

Many information and digital media businesses have moved to San Francisco in the past year. Google brought about 800 employees to San Francisco when it occupied 210,000 square feet in Hills Plaza. Intuit, the Mountain View-based software maker, moved into 14,100 square feet. Zannel, a mobile video startup, brought 26 employees from incubator space in Menlo Park, and Exent Technologies, a PC and Video game company, relocated from Bethesda, Maryland.

Biotechnology: entering the take-off phase
Recombinant genetic engineering, the central innovation that created the biotechnology industry, was co-invented by a researcher at the University of California, San Francisco in the 1970s. Between UCSF, Stanford University, the University of California at Berkeley, and other local research institutions, the Bay Area is the leading biomedical research region in the world. The region is also home to many of the world's largest biotechnology companies, and also leads the world in venture capital investment in biotech.

Until recently, however, few biotechnology companies were located in San Francisco itself. This has begun to change with the growth of the Mission Bay redevelopment area. Mission Bay now houses a new UCSF campus, and growing amounts of lab and incubator space for researchers and start-up companies. Between 2005 and 2006, San Francisco added 14 companies and 687 employees in R&D services in physical and biological sciences[11], which represents early-stage biotechnology.

Significant activity by businesses in this sector include Sirna Therapeutics, which expanded into 40,000 square feet at 1700 Owens Street, a speculative building in Mission Bay that is now fully leased. Merck Pharmaceuticals bought Sirna for $1.1 billion in 2006, bringing a global player into the heart of the City's biotech cluster. Pharmion relocated from Colorado, and FibroGen announced it will relocate its corporate headquarters from South San Francisco to a new 450,000 square foot laboratory building being developed in Mission Bay. This move will make FibroGen the largest biotech company to date to commit to the City; it will have 200 employees in San Francisco when its building is completed in 2008.

As Mission Bay continues to develop, it is expected that San Francisco's biotechnology industry will continue to grow rapidly. In expectation of this, Alexandria Real Estate Equities, the primary non-residential land owner in Mission Bay, is speeding up its construction schedule and plans to build 2.2 million square feet of its life science complex at Mission Bay by 2011.

Key Economic Foundations and Government Initiatives

San Francisco's industry competitiveness and overall prosperity are underpinned by a number of local economic foundations that benefit City businesses, ranging from its real estate and transportation infrastructure, to its quality of life and business climate. In many different areas, the City government is taking steps to strengthen these advantages, and thereby helping to secure the City's continued prosperity. Some important initiatives are described in the sections that follow.

[10] NAICS code 51.
[11] NAICS code 54171.

Housing and Commercial Development

San Francisco continued to make significant progress in developing new residential, commercial, and transportation infrastructure in FY 2006-2007.

Housing: continuing investment, and planning for future growth
The Mayor's 15/5 initiative (15,000 new units in five years) is addressing San Francisco's chronic housing shortage. In CY 2006, 2,828 housing units were constructed, indicating the continuing strength of San Francisco's housing market in the face of the national downturn. Another 5,025 units were under construction as of the first quarter of 2007, the most recent data available.

Also in CY 2006, the Planning Department entitled 6,410 new residential units, the third straight year in which over 6,000 units were entitled. These entitlements are laying the groundwork for strong housing production in the next few years. In total, there are about 30,134 residential units in 1,157 different projects in various stages of planning. This total does not include up to approximately 18,000 units planned at the former Naval Shipyard at Hunters Point, and the former Naval Station at Treasure Island. These units are planned but not yet filed, and bring the total to 48,100 units planned, proposed, or under construction.

Office and Retail: declining vacancy, rising rents, increasing investment, more green buildings
The office market also continued its recovery in FY 2006-2007, with the vacancy rate declining from 14.1 percent in the third quarter of 2006 to 11.9 percent in the second quarter of 2007. During the same period, office rental rates increased 21.5 percent to $42.31 as of the second quarter of 2007, while the market experienced about 1.9 million square feet of net absorption. Office developers are taking advantage of this strong market: there is currently 1.8 million square feet of commercial space under construction. In 2006, the Mayor issued an executive directive offering priority permitting for green buildings; two major developers are building Leadership in Energy and Environmental Design (LEED) Gold buildings in response to this incentive.

Westfield Centre, including Bloomingdale's, opened last year after a $460 million makeover of the former Emporium home, adding one million square feet of retail and office space to its shopping center in the middle of San Francisco's retail district.

Real estate investors have confidence in the City as well: more than half of downtown's office inventory traded hands in the last two years with the pace quickening in 2007. As of June 2007, there has been $6.1 billion in sales year-to-date, surpassing the entire sales activity for both 2005 ($4.3 billion) and 2006 ($3.8 billion).

Treasure Island: a pioneering model for urban sustainable development
Over the last year, a forward-thinking plan for Treasure Island has emerged. By leveraging private capital and the City's entitlement power, the City will transform a closed military base into one of the greenest, most sustainable development projects in U.S. History. The Treasure Island Plan will add 6,000 new residential units, including 1,800 at below market rate. In addition, 250,000 square feet of retail and commercial space, 450 hotel rooms and a 300-acre park in the middle of San Francisco Bay will be created, without using any General Fund monies.

Bayview and Hunters Point: environmental restoration and economic development
A similar opportunity exists along San Francisco's southern waterfront, at Candlestick Point and the Hunters Point Shipyard. Current plans include 8,500 housing units, permanent artist studios, over 2,000,000 square feet of research and development space targeted to digital arts, green technology and biotech, and over 350 acres of open space and waterfront park land. Revitalizing these unique waterfront sites will create badly-needed jobs, affordable housing and parks and open space for the Hunters Point community, and the broader region.

In May 2007, the Redevelopment Agency Commission and the Board of Supervisors endorsed the conceptual framework to guide the City and County of San Francisco, its Redevelopment Agency, and Lennar Communities in planning an integrated, mixed-use project at the Candlestick Point Area of the Bayview Hunters Point and the Hunters Point Shipyard Redevelopment Project Areas. A new 49ers stadium could be an element of that revitalization effort; plans are proceeding with, and without, a stadium alternative.

Transportation Infrastructure

San Francisco's ongoing growth and economic development is raising demand for transportation and creating a need for new investment. This growth is being experienced across all modes, including bus, rail, air, and water. Nevertheless, San Francisco is actually experiencing improving surface transportation performance, despite its growing population and strong economy.

The Transbay Transit Center: a Grand Central Station of the West
In 2006, the Transbay Transit Center project obtained Federal and State environmental approvals. The Center will initially feature an expanded terminal for buses to and from surrounding counties, and is planned to include a terminal for commuter rail from San Mateo County, high speed rail from Southern California, and pedestrian connections to the City's MUNI Metro, and Bay Area Rapid Transit (BART) subways.

The Transbay Center will include a mixed use Transit Tower, whose development will fund much of the transit infrastructure. That project's design and development competition resulted in five teams responding, including some of the world's most prominent architects and developers. On September 20, 2007, the Transbay Joint Powers Authority selected the team of Pelli Clarke Pelli Architects and Hines to enter into exclusive negotiations.

The Transbay Center is a singular expression of transit-oriented development. It includes plans for very tall nearby buildings that will effectively shift the heart of downtown, and create the "Grand Central Station of the West". The Center will be critical for the future of the local and regional economy. Rising freeway congestion in the Bay Area make it critical for the region to have the ability to rapidly bring large numbers of workers into a transit-accessible employment center. Downtown San Francisco can serve this function better than any other area in California, and the Transbay Center will significantly strengthen this capacity.

San Francisco International Airport: lower fees, more carriers and connections
San Francisco International Airport (SFO) also continued to experience rising usage during the past year. From July 2006 to June 2007, the airport served 34.3 million passengers, up 2.4 percent from the previous year. International passengers rose over twice as fast: 5.1 percent, emphasizing San Francisco's rising role as an international business and leisure destination, as well as an expanding array of direct international connections.

Continued passenger volume increases are anticipated as SFO's strategy of lowering landing fees to attract low-cost carriers is paying off. Three new low-cost carriers started service at SFO in 2007. International SFO passenger traffic should increase with the expansion of several international airline routes. United plans to add non-stop service from SFO to the Guangzhou area in 2008, pending DOT approval, and Cathay Pacific Airways will add a second daily flight between San Francisco and Hong Kong. In addition, India's Jet Airways, Air India, and Kingfisher are expected to begin operations at SFO later in 2007 and early in 2008. These connections will cement San Francisco's role as a key hub for business and trade with China and India, the two fastest growing major economies in the world.

Port of San Francisco: complementing the city's tourism industry
The Port of San Francisco is a major west coast cruise ship destination. Passenger boardings have significantly increased in the last three years, nearly doubling between 2003 and 2006 to 223,605 passengers.

Traffic congestion: improving despite economic growth
Traffic congestion has been a major issue in the City, as in most large cities, but the situation has been improving in San Francisco. The County Transportation Agency reports that average vehicle speed increased in San Francisco between 2006 and 2007, during both AM and PM rush hours, and on both arterial roads and freeways. In 2007, the average arterial peak speed in roads in the City's Congestion Management Program was 17.2 miles per hour in the AM, and 17.8 miles per hour during the PM peak period, representing an 8.2 percent and 7.9 percent increase in average speed over 2006 AM and PM peak periods, respectively. Average peak AM freeway speeds increased 36.6 percent to 47.8 miles per hour in 2007, while PM peak freeway speeds increased 20.7 percent to 40.3 miles per hour. The recent completion of major construction projects may be the source of the extraordinarily large increases in average freeway speeds, but the benefits for the local economy are nevertheless substantial.

Transit: New investments in critical infrastructure
Transit is of vital importance to San Francisco, particularly as its employment and population numbers grow. The Bay Area Rapid Transit (BART) system is a four-county commuter rail system that helps make San Francisco an accessible work location to workers across the Bay Area. Each workday in 2007, an average of 154,000 people exit a BART station in San Francisco, a 6.8 percent increase over 2006. The City-owned Municipal Transportation Agency (MUNI) carried an average of 654,300 passengers each workday in FY 2006, totaling nearly 211 million annual passenger trips.

MUNI's $648 million T-Third light rail line started full service in April 2007, connecting the Third Street neighborhoods to the full Muni Metro system. The T-Third provides a vital economic link between the southeast sector of San Francisco and the rest of the City, while also providing significant streetscape improvements to the Third Street corridor.

Quality of Life

In recent years the City has added a number of new attractions that are largely supported by out-of-town visitors, but give residents a wealth of recreational and cultural opportunities they would not have elsewhere. The quality of life generated by these opportunities, in turn is vital to developing the highly-skilled creative talent pool that fuels the City's knowledge sector. Thus a high quality of life is not simply an indicator of successful economic development in San Francisco—it is a prerequisite for continuing economic development.

New museums broaden San Francisco's tourism appeal and improve the quality of life
Several museums are currently in the works, broadening the base of cultural amenities for both visitors and residents alike. Chief among them is the new California Academy of Sciences in Golden Gate Park. Renzo Piano's 410,000-square foot facility, across from the de Young Museum, has an undulating living roof covered with plants; this and other green building features will earn the museum LEED platinum status when it opens in October 2008.

Designs for the San Francisco Museum and Historical Society's development of the historic Old Mint building are nearing completion; a third of the $90 million fundraising goal has been met. Doris and Donald Fisher, co-founders of The Gap, plan to build a 100,000-square-foot Contemporary Art Museum of the Presidio to display their collection of contemporary art. The Walt Disney Family Foundation has signed a lease to establish the Walt Disney Family Museum and Library on the Presidio's Main Post and is expected to open to visitors in August 2009. The 63,000 square foot Jewish Museum on Yerba Buena Lane will be completed by year end 2007, with an opening scheduled for Spring 2008. Finally, the renowned science museum The Exploratorium has started an environmental impact review for its anticipated move from the Palace of Fine Arts to Piers 15-17, a move that would allow the museum to double its footprint to 200,000 square feet.

Building a greener and more livable city
Several initiatives were started or expanded this year to provide for a cleaner and greener San Francisco to enhance both the visitor and resident experiences. The Livable City Initiative was expanded in order to green City streets and help define the unique characteristics of each neighborhood. The City has secured

$8 million dollars in federal and local funds to begin major streetscape improvements, including planting trees, improving median strips, repairing sidewalks, replacing street lamps. In addition to these streetscape improvements, 5,000 trees were planted in 2006, and another 5,000 are planned for the next 12 months.

In 2006, the City also launched the Clean Corridors program that focuses on main commercial districts, removing graffiti, picking up trash and bringing these 100 key corridors to a higher standard of care and cleanliness.

Another successful tool to improve the City's neighborhood commercial corridors is the creation of more Community Benefit Districts (CBDs). Neighborhood groups and merchant associations now have the ability to form these CBDs to expand daily street cleaning, plant new trees, sponsor neighborhood festivals, provide new signage, and make other improvements.

Governance: Expanding the City's Enterprise Zone

In 2007, San Francisco expanded its enterprise zone along the eastern edge of the City, allowing potentially thousands more businesses to apply for millions of dollars in state tax breaks, including hiring tax credits, tax credits for purchasing machinery, and the ability to carry over operating losses from previous tax years.

Award

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This was the twenty-fifth consecutive year (fiscal years ended June 30, 1982 – 2006) 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 our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the 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 whose professionalism, dedication, and efficiency are responsible for the preparation of this report. I would also like to thank Macias Gini & O'Connell LLP for their invaluable professional support in the preparation of the CAFR. Finally, I want to thank the Mayor and the Board of Supervisors for their interest and support in planning and conducting the City's financial operations.

Respectfully submitted,

Edward Harrington
Controller

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, 2006

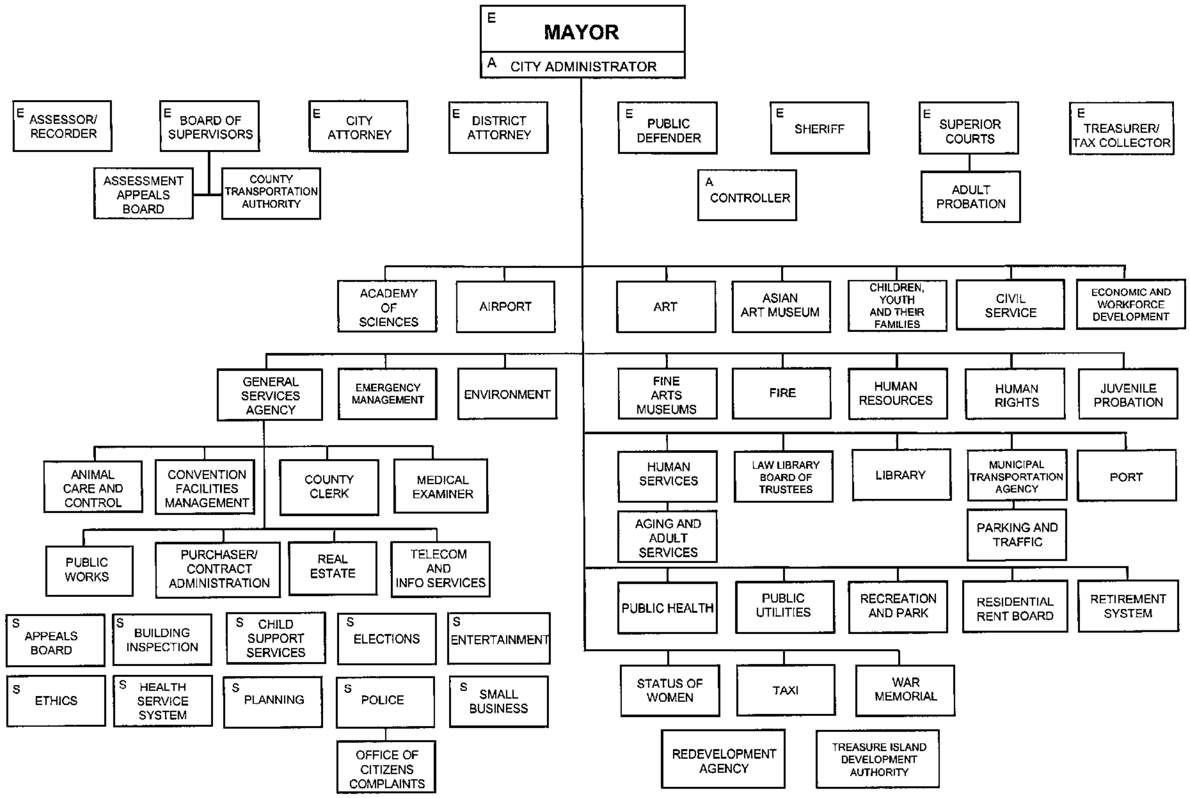
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

President

Executive Director

City and County of San Francisco Organization Chart

(As of June 30, 2007)



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

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List of Principal Officials
As of June 30, 2007

ELECTED OFFICIALS

Mayor	Gavin Newsom
Board of Supervisors:	
President	Aaron Peskin
Supervisor	Michela Alioto-Pier
Supervisor	Tom Ammiano
Supervisor	Chris Daly
Supervisor	Bevan Dufty
Supervisor	Sean Elsbernd
Supervisor	Ed Jew
Supervisor	Sophie Maxwell
Supervisor	Jake McGoldrick
Supervisor	Ross Mirkarimi
Supervisor	Gerardo Sandoval
Assessor/Recorder	Phil Ting
City Attorney	Dennis J. Herrera
District Attorney	Kamala D. Harris
Public Defender	Jeff Adachi
Sheriff	Michael Hennessey
Superior Courts	
Presiding Judge	Judge David L. Ballati
Treasurer/Tax Collector	José Cisneros

APPOINTED OFFICIALS

City Administrator	Edwin M. Lee
Controller	Edward Harrington

DEPARTMENT DIRECTORS/ADMINISTRATORS

Academy of Sciences	Greg Farrington, Ph.D.
Airport	John L. Martin
Appeals Board	Robert H. Feldman
Art	Nancy Gonchar (Acting)
Asian Art Museum	Emily J. Sano
Board of Supervisors	Angela Calvillo
Assessment Appeals Board	Dawn Duran
County Transportation Authority	José Luis Moscovich
Building Inspection	Isam Hasenin
Child Support Services	Karen M. Roye
Children, Youth and Their Families	Margaret Brodkin
Civil Service	Kate Favetti
Economic and Workforce Development	Jesse Blout
Elections	John Arntz
Emergency Management	Laura Phillips

DEPARTMENT DIRECTORS/ADMINISTRATORS *(Continued)*

Entertainment	Robert Davis
Environment	Jared Blumenfeld
Ethics	John St. Croix
Fine Arts Museums	John E. Buchanan, Jr.
Fire	Joanne Hayes-White
General Services Agency	
Animal Care and Control	Carl Friedman
Convention Facilities Management	John Noguchi
County Clerk	Karen Hong
Medical Examiner	Amy P. Hart, M.D.
Public Works	Fred V. Abadi, Ph.D.
Purchaser/Contract Administration	Naomi Kelly
Real Estate	Amy Brown
Telecommunications and Information Systems	Chris Vein
Health Service System	Bart Duncan
Human Resources	Jim Horan
Human Rights	Virginia Harmon
Human Services	Trent Rohrer
Aging and Adult Services	Anne Hinton
Juvenile Probation	William Siffermann
Law Library Board of Trustees	Marcia Bell
Library	Luis Herrera
Municipal Transportation Agency	Nathaniel P. Ford, Sr.
Parking and Traffic	Bond Yee (Acting)
Planning	Dean Macris (Acting)
Police	Heather Fong
Office of Citizen Complaints	Jean Field (Acting)
Port	Monique Moyer
Public Health	Mitchell H. Katz, M.D.
Public Utilities	Susan Leal
Recreation and Park	Yomi Agunbiade
Residential Rent Board	Delene Wolf
Retirement System	Clare M. Murphy
Small Business	Agnes Briones Ubalde
Status of Women	Emily Murase
Superior Court	Gordon Park-Li
Adult Probation	Jeanne Woodford
Taxi	Heidi Machen
War Memorial	Elizabeth Murray

DISCRETELY PRESENTED COMPONENT UNITS

Redevelopment Agency	Marcia Rosen
Treasure Island Development Authority	Mirian Saez

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Financial Section

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

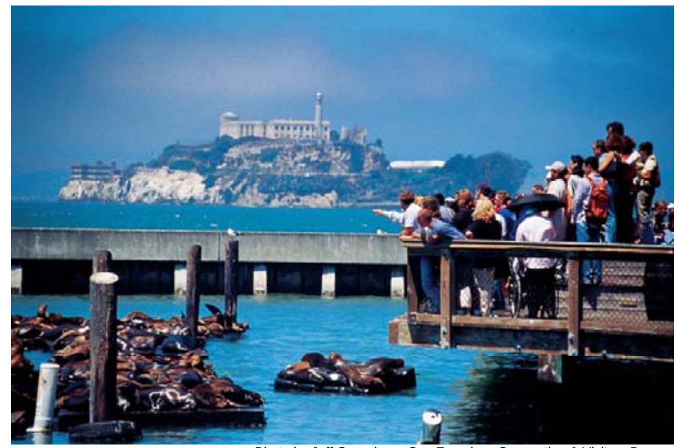

Photo by Jeff Greenberg, San Francisco Convention & Visitors Bureau

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The Honorable Mayor Gavin Newsom
The Honorable Members of the Board of Supervisors
City and County of San Francisco

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of San Francisco, California (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, San Francisco Municipal Railway, the Parking Garage Corporations, San Francisco Wastewater Enterprise, Port of San Francisco, San Francisco Market Corporation, City and County of San Francisco Finance Corporation, Employees' Retirement System, Health Service System, and the San Francisco Redevelopment Agency, which collectively represent the following percentages of assets, net assets/fund balances and revenues/additions as of and for the year ended June 30, 2007:

Opinion Unit	Assets	Net Assets/ Fund Balances	Revenues/ Additions
Governmental activities	1%	10%	0%
Business-type activities	95%	93%	74%
Discretely presented component units	100%	93%	94%
Municipal Transportation Agency enterprise fund	97%	100%	93%
Aggregate remaining fund information	91%	93%	49%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. The prior year partial and summarized comparative information has been derived from the City's 2006 basic financial statements and, in our report dated December 20, 2006, we expressed unqualified opinions, based on our audit and the reports of other auditors, on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of San Francisco, California, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include partial or summarized prior year comparative information. Such prior year information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended June 30, 2006, from which such partial or summarized information was derived.

The management's discussion and analysis and schedules of funding progress listed in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund financial statements and schedules and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Walnut Creek, California
December 21, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City and County of San Francisco's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as 2005-2006 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the 2006-2007 basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately $6.58 billion (net assets). Of this amount, $552.7 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

- The increase in the government's total net assets is $375.2 million or 6.0 percent during fiscal year 2006-2007 compared to an increase of $438.5 million or 7.6 percent during fiscal year 2005-2006. This year, there was a 2.8 percent rise in total revenues while overall expenses grew by 4.5 percent.

- Net assets for the City's governmental activities increased by $76.4 million or 4.3 percent at the end of fiscal year 2006-2007, reflecting the continued growth although at a slower pace than in the prior fiscal year when net assets increased by $293.5 million or 19.6 percent.

- At June 30, 2007, the City's total ending fund balance for governmental funds was approximately $1.25 billion. Within this total, $191.6 million, or 15.3 percent is unreserved and available for spending at the government's discretion within the purposes specified for the City's funds. This reflects a one percent increase in unreserved fund balance over the prior year.

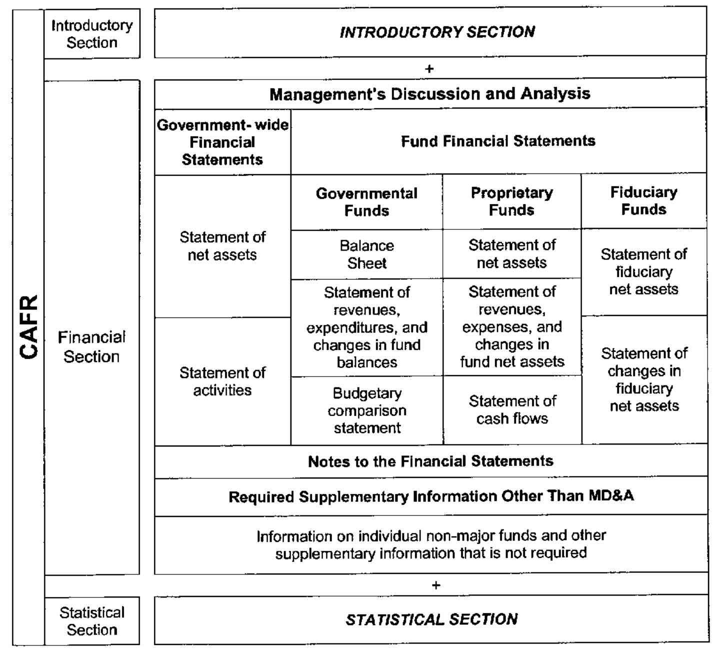
- The City's General Fund had an unreserved fund balance of $141.0 million on June 30, 2007, a $2.1 million or 1.5 percent increase over the previous fiscal year. The total fund balance increased by 17.4 percent to $541.5 million at the same time. This year's improvement was primarily due to a 7.1 percent or $174.9 million increase in revenues primarily from property taxes, business taxes, other local taxes, interest and investment income. This increase brought the General Fund total revenues to $2.65 billion compared to total expenditures of approximately $2.16 billion for the fiscal year. Due to the strong revenue growth, the City increased the General Fund's "rainy day" reserves by $26.3 million in new deposits less a partially offsetting $14.7 million withdrawal for eligible one-time expenditures and capital investment. The net effect was an $11.6 million increase which brought the total to $133.6 million as of June 30, 2007.

- The City's total long-term debt, including all bonds, loans, commercial paper and capital leases decreased by $31 million during fiscal year 2006-2007. The City issued $157.3 million in general obligation refunding bonds and $153.7 million in certificates of participation for acquisition of two office buildings and improvements work for three office buildings. In addition, this year the San Francisco International Airport and the San Francisco Water Enterprise issued $453 million and $48.7 million, respectively, in revenue refunding bonds.

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

	Government-wide Statements	Fund Financial Statements		
		Governmental	**Proprietary**	**Fiduciary**
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

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

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

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 fund balance sheet and in the governmental fund 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 adopts an annually appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets
June 30, 2007 (in thousands)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Assets:						
Current and other assets	$ 2,034,379	$ 2,073,433	$ 2,098,272	$ 2,162,036	$ 4,132,651	$ 4,235,469
Capital assets	2,900,769	2,674,862	8,867,534	8,529,054	11,768,303	11,203,916
Total assets	4,935,148	4,748,295	10,965,806	10,691,090	15,900,954	15,439,385
Liabilities:						
Noncurrent liabilities outstanding	2,201,025	2,138,652	5,529,934	5,701,283	7,730,959	7,839,935
Other liabilities	863,112	815,025	724,608	577,374	1,587,720	1,392,399
Total liabilities	3,064,137	2,953,677	6,254,542	6,278,657	9,318,679	9,232,334
Net assets:						
Invested in capital assets, net of related debt	1,454,614	1,438,010	3,795,006	3,438,397	5,249,620	4,876,407
Restricted	430,843	428,646	349,136	437,366	779,979	866,012
Unrestricted (deficit)	(14,446)	(72,038)	567,122	536,670	552,676	464,632
Total net assets	$ 1,871,011	$ 1,794,618	$ 4,711,264	$ 4,412,433	$ 6,582,275	$ 6,207,051

Analysis of Net Assets

Net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by $6.58 billion at the close of the fiscal year 2006-2007.

The largest portion of the City's net assets reflects its $5.25 billion (79.8 percent) investment in capital assets (e.g. land, buildings, and equipment), less any related outstanding debt used to acquire those assets. This percentage has remained substantially the same since fiscal year 2005. The City uses capital assets to provide services to citizens; consequently, they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated to pay these liabilities.

Another portion of the City's net assets, $780.0 million (11.8 percent) represents resources that are subject to external restrictions as to how they may be used. The remaining balance, unrestricted net assets, $552.7 million (8.4 percent) may be used to meet the government's ongoing obligations to citizens and creditors. Together, these two components of net assets totaled 20.2 percent in fiscal year 2006-2007, comparable to the prior year's percentage.

At the end of the fiscal year 2006-2007, the City had positive balances in all three components of net assets for the government as a whole, as well as for the business-type activities. For the governmental activities, unrestricted net assets have a deficit of $14.4 million related primarily to the $114.0 million in debt from general obligation bonds issued by the City for the benefit of the San Francisco Unified School District and San Francisco Community College District, which are recorded on the City's books with no corresponding assets.

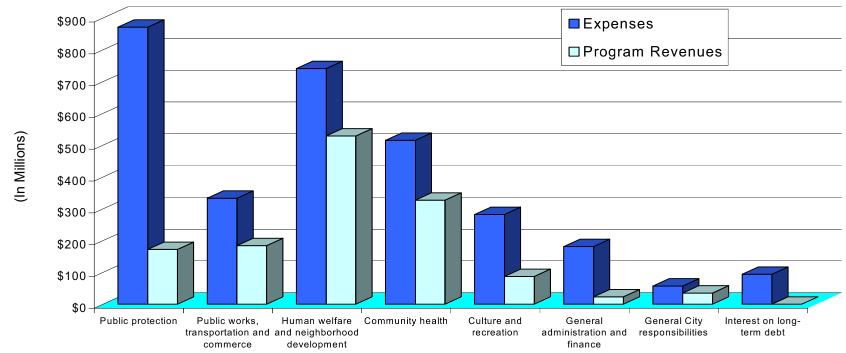
Changes in Net Assets
Year Ended June 30, 2007 (in thousands)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	$ 382,489	$ 399,265	$ 1,822,047	$ 1,714,488	$ 2,204,536	$ 2,113,753
Operating grants and contributions	927,256	859,919	183,301	188,672	1,110,557	1,048,591
Capital grants and contributions	50,479	248,329	150,080	110,403	200,559	358,732
General revenues:						
Property taxes	1,126,992	1,016,220	-	-	1,126,992	1,016,220
Business taxes	337,592	323,153	-	-	337,592	323,153
Other local taxes	668,824	595,664	-	-	668,824	595,664
Interest and investment income	86,233	71,129	85,692	53,161	171,925	124,290
Other	33,046	56,022	218,184	272,873	251,230	328,895
Total revenues	3,612,911	3,569,701	2,459,304	2,339,597	6,072,215	5,909,298
Expenses						
Public protection	870,381	780,642	-	-	870,381	780,642
Public works, transportation and commerce	309,095	272,397	-	-	309,095	272,397
Human welfare and neighborhood development	751,034	858,396	-	-	751,034	858,396
Community health	516,321	478,844	-	-	516,321	478,844
Culture and recreation	290,547	244,423	-	-	290,547	244,423
General administration and finance	185,961	167,490	-	-	185,961	167,490
General City responsibilities	67,948	49,054	-	-	67,948	49,054
Unallocated Interest on long-term debt	94,060	94,923	-	-	94,060	94,923
Airport	-	-	624,832	633,102	624,832	633,102
Transportation	-	-	726,053	695,593	726,053	695,593
Port	-	-	61,937	55,329	61,937	55,329
Water	-	-	236,824	213,584	236,824	213,584
Power	-	-	95,020	119,146	95,020	119,146
Hospitals	-	-	714,349	646,149	714,349	646,149
Sewer	-	-	168,954	160,701	168,954	160,701
Market	-	-	1,061	1,035	1,061	1,035
Total expenses	3,085,347	2,946,169	2,629,030	2,524,639	5,714,377	5,470,808
Increase/(decrease) in net assets before special items and transfers	527,564	623,532	(169,726)	(185,042)	357,838	438,490
Special items	-	-	17,386	-	17,386	-
Transfers	(451,171)	(329,996)	451,171	329,996	-	-
Change in net assets	76,393	293,536	298,831	144,954	375,224	438,490
Net assets at beginning of year	1,794,618	1,501,082	4,412,433	4,267,479	6,207,051	5,768,561
Net assets at end of year	$ 1,871,011	$ 1,794,618	$ 4,711,264	$ 4,412,433	$ 6,582,275	$ 6,207,051

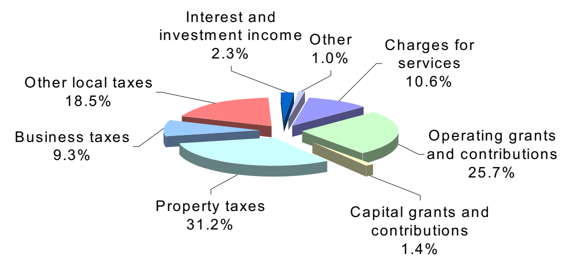
Analysis of Changes in Net Assets

The City's net assets overall increased by $375.2 million during fiscal year 2006-2007, compared to a $438.5 million increase during the prior fiscal year. The governmental activities accounted for $76.4 million of this increase and the business-type activities accounted for $298.8 million. While all business-type activities realized increases to their net assets, approximately 68.1 percent, $203.4 million is due to increases at Laguna Honda Hospital (LHH) and Municipal Transportation Agency (MTA). The LHH increase to net assets was $111.8 million and was primarily due to transfers from the City's governmental funds to support rebuilding of the hospital. The MTA increase of $91.6 million was partially due to increases in capital contributions from state and federal sources. A discussion of these and other changes in both governmental and business-type activities is presented on the following pages.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



Governmental activities. Governmental activities increased the City's total net assets by $76.4 million during fiscal year 2006-2007, compared to a $293.5 million increase during fiscal year 2005-2006. Key factors contributing to this year's increase are as follows:

- Overall, governmental activities' revenue increased by approximately $43.2 million while expenses increased by $139.2 million and net transfers out increased by $121.2 million. This resulted in a net asset increase of $76.4 million for governmental activities at the end of fiscal year 2006-2007.

- Expenses for Human Welfare and Neighborhood Development were approximately $107.3 million less in fiscal year 2006-2007 as compared to the prior year. This was partially due to a one-time increase in the allowance for uncollectible loans account last year because of a change in accounting policy for the City's low-income housing program. At the government-wide level, this was approximately $160 million offset by this year's increase in expenses of $53 million for personnel, grants, and other administrative expenses.

- Property tax revenue increased significantly by $110.8 million or 10.9 percent during the fiscal year. Most of this growth is due to a 7.6 percent increase in net assessed valuations in fiscal year 2006-2007 as compared to fiscal year 2005-2006, the expiration of ERAF III (the State is shifting the property taxes from the City to the Educational Revenue Augmentation Fund for Schools), and 1.9 percent increase due to escape billings and supplemental billings.

- Business tax revenue increased $14.4 million or 4.5 percent, due largely to wage growth as well as moderate employment growth. San Francisco had 12,200 more jobs in calendar year 2006 as compared to calendar year 2005, representing an annual growth in jobs of 2.4 percent.

- Revenues from other local taxes, which includes real property transfer tax, hotel, sales, utility users and parking tax, increased by $73.2 million or 12.3 percent. The largest components of growth were hotel tax (up $20.4 million or 11.7 percent), real property transfer tax (up $12.7 million or 9.7 percent), local sales tax (up $9.6 million or 5.5 percent). Factors contributing to this growth include increased hotel occupancy and average daily room rates, increased transfer tax revenues associated with increased property sales activity, increasing sales activity and increased parking tax collections due to higher parking demand and rate increases. On a related note, in fiscal year 2006-2007, the implementation of Ordinance No. 71-07 transferred the 40 percent or $25.9 million parking tax allocation related to public transit (which formerly accrued directly to the MTA) to the General Fund with an associated transfer out to the MTA in lieu of the parking tax.

- Interest and investment income improved by about $15.1 million or 21.2 percent during the year primarily due to higher interest rates during the period. The earned yield on City pooled investments increased nearly 24 percent from 4.2 percent to 5.2 percent. In general, these returns reflect the City's concentration of investments in Treasury Bills and Notes and other short-term investments combined with increasing interest rates from the Federal Reserve. At the fiscal year end, deposits and investments for governmental activities with the City Treasury were $1.35 billion, a 10.7 percent decrease over the previous year.

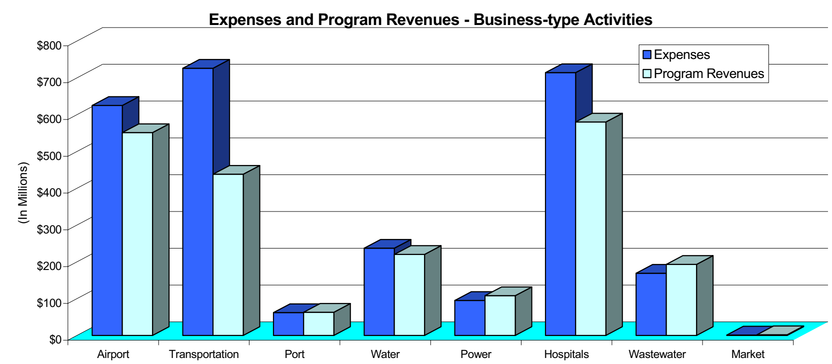
- Operating grants and contributions increased by $67.3 million or 7.8 percent during fiscal year 2006-2007. This included additional Homeland Security funds of close to $12.7 million for public works, transportation and commerce and approximately $3.8 million for public protection. Grant increases to other public protection programs were approximately $7.0 million. Federal grants for community development and housing programs increased by about $14.2 million and state funds for health and welfare programs rose by close to $20.0 million. The City also realized an additional $4.5 million in fiscal year 2006-2007 for state mandated programs, and $5.7 million for election support.

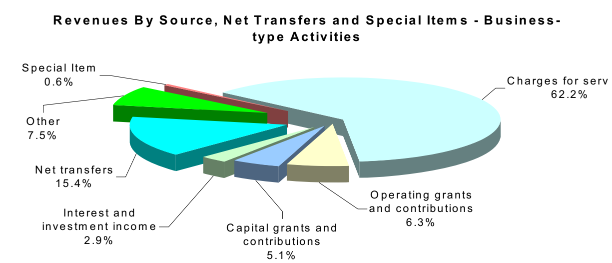
- The capital grants and contributions revenue significant decrease of $197.9 million is primarily due to recognition of the City's newly rebuilt de Young Museum in 2005-2006 which was constructed with private funding through an independent non-profit corporation. Apart from this major contribution change year-over-year, the revenue for fiscal year 2006-2007 was at the same level as the previous fiscal year.

- Net transfers to business-type activities were $451.2 million in fiscal year 2006-2007, a net $121.2 million increase over fiscal year 2005-2006. These transfers included a net increase of $41.7 million and $7.0 million to Laguna Honda Hospital to support for re-construction of the hospital and operating subsidy respectively; a $36.4 million net increase to San Francisco

General Hospital Medical Center related to increased General Fund support; a $35.3 million net increase to MTA, of which $25.9 million was due to the change in parking tax budgeting discussed earlier and the remaining due to higher baseline funding. In addition, there was a net decrease of $1.8 million in Airport transfers, and Water recorded a one-time net transfer of $9.7 million to the Governmental activities for the acquisition of land.

The charts shown previously illustrate the City's governmental expenses and revenues by function, and its revenues by source. As shown, public protection is the largest function in expense (28.2 percent), followed by human welfare and neighborhood development (24.3 percent), and community health (16.7 percent). General revenues such as property, business, and sales taxes are not shown by program, but are used to support program activities citywide. For governmental activities, property taxes were the largest single source of funds (31.2 percent) in fiscal year 2006-2007, as compared to 28.4 percent in fiscal year 2005-2006. In addition, operating grants and contributions were the second largest source of funds (25.7 percent) in fiscal year 2006-2007 slightly increased from 24.1 percent in fiscal year 2005-2006. The ratios for other revenue categories shifted only slightly from the prior fiscal year 2005-2006: business taxes (9.3 percent vs. 9.1 percent in the prior year), other local taxes (18.5 percent versus 16.7 percent in the prior year), and charges for services (10.6 percent versus 11.2 percent in the prior year). The changes in ratios are partly due to the decrease in capital contributions this year which was previously discussed.





Business-type activities increased the City's net assets by $298.8 million. Key factors contributing to this improvement are:

- The Municipal Transportation Agency (MTA) had net assets of $1.89 billion at June 30, 2007, an increase of approximately $91.6 million over the prior fiscal year. The total net assets include $1.84 billion (97.3 percent) for MUNI, the City's municipal railway. The remainder represents the combined net assets of the Department of Parking and Traffic and the Parking Authority. Between the end of fiscal years 2005-2006 and 2006-2007, MUNI's net assets increased by approximately $80.7 million, primarily due to the completion of the first phase, and continued work on the second phase of the Third Street Light Rail Project, funded by federal, state and local capital contributions. During this same period, MUNI's total operating revenues grew by $8.0 million to a total of $149.2 million. This was largely due to the combination of an increase in ridership along with the annualizing of a passenger fare increase which began in September 2005. MUNI also reported a decrease in non-operating revenues of $13.9 million. The primary components of this change were a $9.4 million increase in parking garage revenues and a $25.9 million decrease in parking tax revenues. The decrease in parking tax revenues occurred because of a change in budgeting but was backfilled by a like amount of transfer funding from the General Fund, beginning in fiscal 2006-2007. This year, the City's General Fund total subsidy to MTA was $197.1 million. This included $149.8 million for MUNI, a $31.4 million increase over the prior year mostly due to the aforementioned change in budgeting for parking tax revenue, and $47.3 million for the Department of Parking and Traffic, a $3.8 million increase over the prior year.

- Laguna Honda Hospital, the City's long-term care hospital increased net assets by $111.8 million during fiscal year 2006-2007, or 70.9 percent, reflecting the major capital project underway to rebuild the hospital. The increase included $91.2 million in transfers from the non-major governmental funds which account for the Laguna Honda Hospital General Obligation Bond proceeds and capital project activity. In addition, the hospital received a $45.7 million subsidy transfer and a $1.3 million operating transfer from the City's General Fund and $0.2 million from the San Francisco General Hospital Medical Center. This $138.4 million of inflow was offset by approximately $26.6 million in operating and non-operating losses, compared to last year's loss of $22.5 million.

- Hetch Hetchy, which operates the City's water storage and power generating facilities in the Sierra Nevada Mountains, had net assets of $435.8 million at the end of fiscal year 2006-2007, an increase of $23.8 million or 5.8 percent over the prior fiscal year which realized a $41.7 million increase. This $17.9 million change between the two fiscal years reflects a $42.0 million decrease in total revenues and a $24.1 million reduction in expenses. Total revenues in fiscal year 2006-2007 were $118.8 and total expenses were $95.0 million. Decreased power sales to the Western System Power Pool, Modesto Irrigation District and Turlock Irrigation District account for much this revenue change. At the same time, the decline in expenses is largely due to a $21.8 million reduction in power purchases from Calpine, and a net decrease in general and administrative expenses, in particular litigation and judgment expenses, of approximately $2.2 million.

- The Water Enterprise's net assets were $438.6 million at the end of fiscal year 2006-2007, a $5.5 million, or 1.3 percent, increase over the prior year's net asset balance of $433.1 million. Since 2003 the enterprise has been engaged in a multi-billion dollar, ten-year capital improvement program to rebuild the City's water system. Progress on this massive project during this fiscal year is reflected in the Water Enterprise's $166.5 million increase in net capital assets and the associated use of $158.1 million of current assets, primarily restricted cash, to support this work. This net increase to total assets of $8.4 million was partially offset by a $2.9 million increase in total liabilities. The enterprise's total revenues for fiscal year 2006-2007 were $252.9 million, an increase of $37.6 million or 17.5 percent over the prior year. This included a $13.2 million increase in operating revenue from retail and wholesale water sales which was partially driven by rate increases to retail and wholesale customers of 15 and 19 percent, respectively. It also included a $12.9 million increase in interest and investment income due largely to higher cash

balances and higher interest earnings; $3.0 million from a one-time federal grant; and $6.5 million from the sale of capital assets. Total expenses for the enterprise increased by $23.2 million primarily due to increases in personal services, contractual services and depreciation as well as interest expenses. The enterprise also had an increase in transfer of about $9.2 million mainly due to the purchase of a capital asset from the City's governmental activities.

- The City's Wastewater had net assets of $959.3 million at the end fiscal year 2006-2007. This represents a 3.5 percent or $32.9 million increase over the prior year's balance of $926.4 million. Total revenues improved 17.3 percent, increasing from $172.0 million at the end of fiscal year 2005-2006 to $201.9 million at the end of fiscal year 2006-2007, a $29.9 million improvement. Revenue growth included approximately $17.1 million due to rate increases and $11.2 million due to implementation of a capacity charge increase first approved in fiscal year 2004-2005. Total expenses increased about $8.2 million during fiscal year 2006-2007, primarily due to contractual services, general administrative, and the cost of services by other departments.

- The Airport's net assets increased by $1.8 million, or 0.6 percent, for a total of $316.7 million at the end of fiscal year 2006-2007. This is significant as compared to last year's decrease in net assets of $42.7 million, or 11.9 percent. The change is primarily due to an increase of $48.6 million in operating revenues resulting from a $32.9 million increase in aviation revenues, mostly as a result of the growth in passenger traffic, and a $15.7 million increase in concession sales, parking and transportation fees and net sales and services. The Airport's operating expenses decreased by approximately $1.7 million, or 0.4 percent from the prior-year's total of $432.8 million. The transfer from the Airport to the City's General Fund was $23.3 million for fiscal year 2006-2007, an increase of $1.8 million over 2005-2006 .

As shown in the previous charts, the two largest of San Francisco's business-type activities, the Municipal Transportation Agency and the San Francisco International Airport had total expenses of over $700 million and $600 million, respectively for the fiscal year ended 2006-2007. The City's long term and acute care hospitals together also had total expenses over $700 million. Together, these four enterprises make up 78.6 percent of the total expenses for business-type activities. As in prior years, charges for services provided the largest share of revenues, 62.2 percent for all business-type activities.

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 fund statements is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved 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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately $1.25 billion, a decrease of $63.6 million over the end of the prior year. The decrease is due to expenditures increasing at a faster rate than revenue sources, across various city functions, debt service payment and in particular, capital outlay which had increased by $129.9 million or 84.6 percent.

A total of $191.6 million of the fund balance in the governmental funds constitutes unreserved fund balance. This is available for spending at the City's discretion within the purposes specified for the City's funds. The remainder is reserved, an indication that it is not available for new spending because it has already been committed. These commitments include support for: (1) a General Fund "rainy day" reserve ($133.6 million), (2) encumbrances for existing contracts and purchase orders ($349.9 million), (3) funds continued for programs or projects in future fiscal years ($493.4 million), (3) debt service ($51.3 million), and (4) for assets not available for appropriation ($32.1 million).

The General Fund is the chief operating fund of the City and had an unreserved fund balance of $141.0 million at the end of fiscal year 2006-2007, a slight increase of $2.1 million over the fiscal year 2005-2006 unreserved fund balance of $139.0 million. The General Fund's total fund balance was $541.5 million for fiscal year 2006-2007, a 17.4 percent improvement over the prior-year balance of $461.3 million. This increase was mainly due to a total increase in revenues of $174.9 million or 7.1 percent primarily from property, business, other local taxes and interest and investment income which was partially offset by an increase of $193.7 million or 9.8 percent in expenditures. Overall for the fiscal year ended June 30, 2007, the General Fund's revenues exceeding expenditures by $487.3 million, before transfers and other items are considered.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. For fiscal year 2006-2007, the unreserved fund balance of $141.0 million represents 6.5 percent of total General Fund expenditures of $2.16 billion, and the total fund balance represents approximately 25.1 percent of that amount. For the prior fiscal year, 2005-2006, the General Fund's unreserved fund balance of $139.0 million was 7.1 percent of the total expenditures of $1.97 billion, and the total fund balance represented approximately 23.4 percent of expenditures.

Proprietary Funds

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

At the end of fiscal year 2006-2007, the unrestricted net assets for the Airport were $245.2 million, the Water Enterprise $81.4 million, Hetch Hetchy $157 million, Wastewater $57.0 million, the Port $66.6 million, San Francisco General Hospital Medical Center $9.0 million, and the San Francisco Market Corporation $4 million. Two proprietary funds had a deficit in unrestricted net assets: the Municipal Transportation Agency had a deficit of $38.5 million; and Laguna Honda Hospital $14.7 million. The internal service funds that are used to account for certain governmental activities also had a deficit in unrestricted net assets of $5.6 million.

The total increase in net assets for the enterprise funds was $298.8 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

The following table shows actual revenues, expenses and results of operations for the current fiscal year in the City's proprietary funds (in thousands):

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expense)	Capital Contributions Special Items, and Others	Interfund Transfers	Change In Net Assets
Airport	$ 503,914	$ 431,059	$ 72,855	$ (94,590)	$ 46,902	$ (23,348)	1,819
Water	216,531	202,498	14,033	1,242	-	(9,763)	5,512
Hetch Hetchy	108,224	95,020	13,204	10,586	-	-	23,790
Municipal Transportation Agency	222,115	722,412	(500,297)	243,020	100,954	247,913	91,590
General Hospital	373,525	527,452	(153,927)	64,752	-	98,031	8,856
Wastewater Enterprise	193,411	151,600	41,811	(8,910)	-	(28)	32,873
Port	61,193	61,140	53	2,268	19,610	-	21,931
Laguna Honda Hospital	141,567	185,420	(43,853)	17,282	-	138,366	111,795
Market Corporation	1,567	1,061	506	159	-	-	665
Total	$ 1,822,047	$ 2,377,662	$ (555,615)	$ 235,809	$ 167,466	$ 451,171	$ 298,831

Fiduciary Funds

The City maintains fiduciary funds for the assets of the San Francisco Employees' Retirement System and Health Service System, and manages the investment of monies held in trust to benefit public services or employees. As of the end of fiscal year 2006-2007, the net assets of the Retirement System and Health Service System totaled $17.0 billion, representing an increase of $2.46 billion in total net assets since June 30, 2006. This 16.9 percent increase is primarily due to a fourth year of improved performance of the Retirement Trust's investments. The Investment Trust Fund's net assets totaled $646.2 million, an increase in net assets of $98.7 million or 18 percent since June 30, 2006 due to the increase in additions over withdrawals and distributions to external participants of the fund.

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. In fiscal year 2006-2007, the City approved $88.2 million in General Fund supplemental appropriations for various departments primarily for affordable housing, revenue-supported Baseline funding, revenue-supported Human Services program funding, capital projects and violence prevention initiatives.

During the year, actual revenues and other resources were $115.5 million more than budgeted. While the City realized $156.3 million more revenue than budgeted primarily due to higher property taxes, real property transfer taxes, hotel room taxes, health and welfare realignment subventions, parking taxes, interest and investment income, and business taxes, these increases were partially offset by $40.8 million less revenue than budgeted primarily due to lower Federal and State subvention and grant funding, General Government & Health-related service charges as well as Recreation & Park rental revenues. Overall revenue shortfalls were more than offset by expenditure savings, most notably in Health and Human Service programs. General Fund budgetary comparisons are on shown on pages 31-33.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $82.9 million in appropriation savings. This is primarily due to the following factors:

- A savings of $18.3 million in the Department of Public Health, due largely to savings related to the Mental Health and Public Health programs. These savings are largely offset by mental and public health-related revenue shortfalls in intergovernmental and service charge revenues noted above.

- A savings of $13.9 million in the Human Services Agency, due largely to lower program costs related to CalWORKS Childcare and Aid, Family & Children's Services, Childcare, Homeless Services, General Assistance Aid, Administrative Support, and Employment & Self-Sufficiency Programs. These savings are partially offset by reductions in Human Service revenues, most notably in federal social service funding discussed above.

- A savings of $14.9 million in transfers to other funds primarily due to higher hospital revenues, which in turn resulted in lower required subsidy transfers for San Francisco General Hospital and Laguna Honda Hospital.

- A close-out savings of $22.9 million in budgetary reserves and designations largely due to unspent General Reserve savings not used for supplemental appropriation or other contingencies during fiscal year 2006-2007.

As a result of the strong revenue growth, the City again made deposits into the Rainy Day Reserves during fiscal year 2006-2007, resulting in an additional $19.6 million into the Economic Stabilization Account and an additional $9.8 million into the One-Time Spending Account. Combined these two Rainy Day Reserve accounts totaled $133.6 million by fiscal year end 2006-2007.

The net effect of the strong revenue growth, expenditure savings and record deposits into the Rainy Day Reserve accounts was a positive budgetary fund balance available for subsequent year appropriation of $131.9 million at the end of fiscal year 2006-2007. The City's fiscal year 2007-2008 Adopted Original Budget assumed an available balance of $118.9 million, so an additional $13.0 million remains available. (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, 2007, increased by $564.4 million, 5.0 percent, to $11.8 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, and bridges. Governmental activities contributed $225.9 million or 2.0 percent to this total while $338.5 million or 3.0 percent was from business-type activities. Details are shown in the table below.

Capital Assets, Net of Accumulated Depreciation
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	$ 151,917	$ 143,640	$ 195,722	$ 194,783	$ 347,639	$ 338,423
Facilities and Improvement	2,108,299	1,884,952	6,042,922	5,974,331	8,151,221	7,859,283
Machinery and equipment	53,546	44,782	773,585	799,846	827,131	844,628
Infrastructure	261,179	240,601	725,729	464,477	986,908	705,078
Property held under lease	-	-	2,484	2,607	2,484	2,607
Easements	-	-	72,403	79,358	72,403	79,358
Construction in progress	325,828	360,887	1,054,689	1,013,652	1,380,517	1,374,539
Total	$ 2,900,769	$ 2,674,862	$ 8,867,534	$ 8,529,054	$ 11,768,303	$ 11,203,916

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

- Under governmental activities, net capital assets increased by $225.9 million. This included the purchase and improvement of two office buildings totaling $114.4 million funded by Certificate of Participation Series 2007 A and B. The remaining $111.5 million increase was mainly due to construction-in-progress work at various park and recreational sites (including the Academy of Science and Steinhart Aquarium), branch libraries, as well as various street improvement and traffic signal upgrades, and work at Juvenile Hall. About $190.5 million worth of construction-in-progress work was substantially completed and capitalized as facilities and improvement and infrastructure as appropriate. These include the San Bruno Jail of $134.3 million, various branch libraries and certain public works projects.

- The Water Enterprise's net capital assets increased by $166.5 million. Close to 66.9 percent of the increase in net capital assets, or $111.4 million, reflects the net increase in construction-in-progress on the enterprise's ten-year water system improvement project. This change includes a $216.8 million increase in construction projects offset by $92.6 million in transfers to facilities and improvements, $2.5 million transfers to equipment, and $10.2 million expensed for projects not continued. The increase included Sunset Reservoir Rehabilitation and Upgrade, Bay Division Pipeline Seismic Upgrade and others Water System Improvement Program. The remaining net increase of $55.1 million reflects the increase to facilities, improvements and equipment less increase to depreciation.

- MTA's net capital assets increased by $72.8 million or 3.9 percent. Of the $72.8 million, MUNI's net capital assets increased by $79.5 million or 4.4 percent. Current year additions to construction-in-progress amounted to $161.6 million of which $73.0 million was for the Third Street Phase 1 and 2 projects, a major expansion of the transportation system in the City's southeast neighborhoods. Phase 1 construction was completed, conceptual engineering and the supplemental environmental process for Phase 2 continued. Other significant work in progress included Motor Bus Hybrid Procurement, Trolley Overhead Reconstruction and New Central Subway. Parking and Traffic and the non-profit garages had a net decrease of $5.7 million and $1.0 million in net capital assets due to depreciation expenses exceeding asset acquisition.

- Laguna Honda Hospital's net capital assets increased by $101.4 million due almost entirely to construction-in-progress on the capital project to rebuild the hospital. This work is partially funded by the Laguna Honda General Obligation Bonds.

- The Port's net capital assets increased about 0.8 percent, or $2.2 million. This increase included completion of security projects at the Port's cruise, ferry and cargo facilities, improvements to parking lots and progress on wetlands enhancement, the Illinois Street Intermodal Bridge and others.

- Hetch Hetchy increased net capital assets by $8.7 million or 3.2 percent. This included the completion of a $5.5 million project (the Duct Bank project) and continued work to improve San Francisco electrical reliability power, various solar projects and pipeline works.

- The Airport reported a decrease in net capital assets of $35.8 million or 1.0 percent due largely to the net effect of depreciation against completed projects of the Near Term Master Plan for SFO in recent years. Major capital additions in the current fiscal year included Terminal 1 Airtrain Bridge and Mezzanine, Phased Reconstruction and Overlay Taxiways and improvements to Terminal Upper Level Viaduct and Air Cargo Explosive Detection System Program.

At the end of the year, the City's business-type activities had approximately $316.2 million in commitments for various capital projects. Of this, MTA had approximately $96.4 million, Water Enterprise had $140.5 million, Hetch Hetchy had $21.8 million, Wastewater had $37.5 million, Port had $5.6 million, Laguna Honda Hospital had $6.1 million and the Airport had $8.3 million. In addition, there was approximately $201.1 million reserved for encumbrances in capital project funds for the general government.

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

For governmental activities, no net infrastructure assets were recorded in fiscal year 2000-2001 (the first year of presentation in the GASB 34 format), because the historical costs did not meet the threshold established by GASB. Beginning in fiscal year 2001-2002, newly completed projects are capitalized and ongoing infrastructure projects are accounted for in construction in progress.

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

Debt Administration

At the end of the current fiscal year, the City had total long-term debt outstanding of $7.7 billion. Of this amount, $1.2 billion is general obligation bonds backed by the full faith and credit of the City and $6.5 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 papers and capital leases decreased by $31.0 million during fiscal year 2006-2007, primarily due to maturities of existing debt that exceeded the issuance of new debt in the business-type activities.

The City also took advantage of favorable interest rates to reduce debt payments by issuing $659.0 million in refunding bonds. Of this amount, the Airport issued $453.0 million, the Water Enterprise issued $48.7 million in refunding revenue bonds and the City issued a total of $157.3 million in general obligation refunding bonds. The City also made the first borrowing in the amount of $2.0 million on the Seismic Safety Loan Program general obligation bonds under the Board of Supervisors Resolution No. 65-07 for loans to finance the seismic retrofitting of masonry buildings within the City. In addition, the City issued $153.7 million in certificates of participation for the purchase and improvement of two office buildings and for the renovation of a City's office building. The City also issued, through the San Francisco Finance Corporation, $11.8 million in lease revenue bonds to finance equipment and $27.0 million to finance the design, construction and renovation of various parks located within the City. In addition, the City entered into a lease purchase transaction in the amount of $2.8 million for the telecommunication and computer equipment to establish the 311 Customer Service Center. The Wastewater issued commercial papers in the amount of $50.0 million.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the taxable assessed value of property in the City - approximately $124.98 billion in value as of the close of the fiscal year. As of June 30, 2007, the City had $1.15 billion in authorized, outstanding property tax–supported general obligation bonds, which is equal to approximately 0.89 percent of gross (0.92 percent of net) taxable assessed value of property. As of June 30, 2007, there were an additional $344.1 million in bonds that were authorized but un-issued. If all of these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.2 percent of gross taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2007 were:

Moody's Investors Service, Inc.	Aa3
Standard and Poor's	AA
Fitch Ratings	AA-

During the fiscal year, Moody's Investors Service, Inc. affirmed its rating and revised its rating outlook from stable to positive, and Standard and Poor's affirmed it rating with a stable outlook. Fitch Ratings affirmed its ratings with the rating outlook on all the City's outstanding bonds as positive.

The City's enterprise activities maintained their underlying debt ratings this fiscal year. SFO's underlying debt ratings were upheld by Moody's Investors Service, Standard & Poor's, and Fitch Ratings at "A1", "A", and "A", respectively, with a stable rating outlook. With municipal bond insurance purchase for revenue bond issues, Moody's Investors Service, Standard and Poor's and Fitch Ratings have assigned SFO the ratings of "Aaa", "AAA", and "AAA" respectively. The Water Enterprise carried underlying ratings of "A1" and "A+" from Moody's and Standard and Poor's respectively, based on Municipal Bond Insurance Policies issued by MBIA and FSA and XL Capital Assurance, respectively.

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

Economic factors and next year's budget and rates

- By the end of fiscal year 2006-2007, San Francisco's economy was the healthiest it has been in several years. While the national downturn in housing prices, and associated credit crunch and macroeconomic uncertainty are genuine causes for concern, San Francisco has relatively less exposure to sub-prime mortgages than other parts of the State, so its property tax base is relatively more stable. Compared with other areas of the state and country, San Francisco is expected to weather any downturn comparatively well.

- Preliminary data indicate that the number of employed residents in San Francisco rose by 9,900 people between June 2006 and June 2007. Final annual employment data indicates that 12,200 new jobs were added in calendar year 2006. Combined with the 5,500 jobs added in 2005, San Francisco has added 17,700 new jobs in the last two years. This reversed four consecutive years of job loss from 2000 to 2004. Annual average unemployment for 2006 fell to 4.2 percent in San Francisco, the lowest point since the peak year of 2000, and the year-to-date average unemployment rate through June 2007 remained at 4 percent.

- Average wages in San Francisco have continued to grow at higher rates than the state or nation. San Francisco's average annual wage, across all industries, grew to $70,825 in calendar year 2006 – a 6.4 percent increase over calendar year 2005. By comparison, average wages nationally grew by only 4.5 percent and by 4.6 percent in California.

- The office market also continued its recovery in 2006-2007, with the vacancy rate declining from 14.8 percent in second quarter 2006 to 11.9 percent in second quarter 2007. During the same period, office rental rates increased 26.2 percent to $42.31 as of second quarter 2007, while the market experienced about 1.9 million square feet of net absorption. Office developers are taking advantage of this strong market: there is currently 1.8 million square feet of commercial space under construction.

- Despite the national housing slump, and relatively high levels of construction since 2004, housing prices have continued to increase at a healthy rate in the past year. The median home sales price was $825,000 in June 2007—a 4.4 percent increase from June 2006. In calendar year 2006, 2,828 housing units were constructed, indicating the continuing strength of San Francisco's housing market in the face of the national downturn. Another 5,025 units were under construction as of first quarter 2007.

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
Director of Accounting Financial Services
1155 Market Street, 4th Floor
San Francisco, CA 94103

Municipal Transportation Agency
MTA Finance and Administration
1 South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

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

Port of San Francisco
Fiscal 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
1145 Market Street, Suite 200
San Francisco, CA 94103

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

Component Unit Financial Statement

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

Blended Component Units Financial Statements

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

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

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Basic Financial Statements

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Assets
June 30, 2007
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
ASSETS					
Current assets:					
Deposits and investments with City Treasury	$ 1,349,860	$ 809,548	$ 2,159,408	$ -	$ 1,697
Deposits and investments outside City Treasury	109,870	11,351	121,221	234,887	-
Receivables (net of allowance for uncollectible amounts of $72,146 for the primary government):					
Property taxes and penalties	59,678	-	59,678	-	-
Other local taxes	186,183	-	186,183	-	-
Federal and state grants and subventions	161,667	54,141	215,808	-	-
Charges for services	30,596	206,180	236,776	-	-
Interest and other	31,520	41,597	73,117	7,644	43
Loans receivable	-	562	562	-	-
Capital lease receivable from primary government	-	-	-	16,045	
Due from component unit	932	-	932	-	-
Inventories	-	51,147	51,147	-	-
Deferred charges and other assets	10,952	2,592	13,544	-	-
Restricted assets:					
Deposits and investments with City Treasury	-	63,845	63,845	-	-
Deposits and investments outside City Treasury	-	45,251	45,251	68,942	-
Grants and other receivables	-	774	774	761	-
Total current assets	1,941,258	1,286,988	3,228,246	328,279	1,740
Noncurrent assets:					
Loans receivable (net of allowance for uncollectible amounts of $414,545 and $174,687 for the primary government and component units, respectively)	64,504	324	64,828	15,264	-
Advance to component unit	5,733	2,599	8,332	-	-
Capital lease receivable from primary government	-	-	-	166,708	-
Deferred charges and other assets	22,884	65,154	88,038	10,767	-
Restricted assets:					
Deposits and investments with City Treasury	-	448,786	448,786	-	-
Deposits and investments outside City Treasury	-	252,888	252,888	30,853	-
Grants and other receivables	-	41,533	41,533	358	-
Property held for resale	-	-	-	17,419	-
Capital assets:					
Land and other assets not being depreciated	477,745	1,250,411	1,728,156	126,469	-
Facilities, infrastructure, and equipment, net of depreciation	2,423,024	7,617,123	10,040,147	142,365	-
Total capital assets	2,900,769	8,867,534	11,768,303	268,834	-
Total noncurrent assets	2,993,890	9,678,818	12,672,708	510,203	-
Total assets	$ 4,935,148	$ 10,965,806	$ 15,900,954	$ 838,482	$ 1,740

(Continued)

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

Statement of Net Assets *(Continued)*

June 30, 2007

(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
LIABILITIES					
Current liabilities:					
Accounts payable	$ 191,652	$ 158,041	$ 349,693	$ 10,896	$ 2,999
Accrued payroll	70,895	54,436	125,331	-	-
Accrued vacation and sick leave pay	70,100	47,728	117,828	1,219	-
Accrued workers' compensation	38,963	30,829	69,792	-	-
Estimated claims payable	52,527	21,486	74,013	-	-
Bonds, loans, capital leases, and other payables	277,827	202,176	480,003	36,514	-
Capital lease payable to component unit	16,045	-	16,045	-	-
Accrued interest payable	8,781	14,185	22,966	25,301	-
Unearned grant and subvention revenues	4,557	-	4,557	-	-
Due to primary government	-	-	-	932	-
Internal balances	8,139	(8,139)	-	-	-
Deferred credits and other liabilities	123,626	108,521	232,147	502	296
Liabilities payable from restricted assets:					
Bonds, loans, capital leases, and other payables	-	19,087	19,087	-	-
Accrued interest payable	-	25,411	25,411	-	-
Other	-	50,847	50,847	-	-
Total current liabilities	863,112	724,608	1,587,720	75,364	3,295
Noncurrent liabilities:					
Accrued vacation and sick leave pay	64,113	37,171	101,284	1,325	-
Accrued workers' compensation	155,726	115,610	271,336	-	-
Estimated claims payable	61,904	57,023	118,927	-	-
Bonds, loans, capital leases, and other payables	1,752,574	5,275,685	7,028,259	748,424	-
Advance from primary government	-	-	-	5,733	2,599
Capital lease payable to component unit	166,708	-	166,708	-	-
Accrued interest payable	-	-	-	60,291	-
Deferred credits and other liabilities	-	44,445	44,445	4,888	-
Total noncurrent liabilities	2,201,025	5,529,934	7,730,959	820,661	2,599
Total liabilities	3,064,137	6,254,542	9,318,679	896,025	5,894
NET ASSETS					
Invested in capital assets, net of related debt	1,454,614	3,795,006	5,249,620	65,487	-
Restricted for:					
Reserve for rainy day	133,622	-	133,622	-	-
Debt service	28,310	249,656	277,966	49,459	-
Capital projects	19,128	75,771	94,899	-	-
Community development	63,043	-	63,043	-	-
Transportation Authority activities	10,390	-	10,390	-	-
Grants and other purposes	176,350	23,709	200,059	17,419	-
Unrestricted (deficit)	(14,446)	567,122	552,676	(189,908)	(4,154)
Total net assets (deficit)	$ 1,871,011	$ 4,711,264	$ 6,582,275	$ (57,543)	$ (4,154)

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

Statement of Activities

Year ended June 30, 2007

(In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Govern-mental Activities	Business-Type Activities	Total	San Francisco Redevelop-ment Agency	Treasure Island Development Authority
Primary government:									
Governmental activities:									
Public protection	$ 870,381	$ 58,979	$ 113,387	$ -	$ (698,015)	$ -	$ (698,015)	$ -	$ -
Public works, transportation and commerce	309,095	111,364	44,488	30,846	(122,397)	-	(122,397)	-	-
Human welfare and neighborhood development	751,034	56,367	472,766	221	(221,680)	-	(221,680)	-	-
Community health	516,321	50,266	276,836	-	(189,219)	-	(189,219)	-	-
Culture and recreation	290,547	65,407	2,396	19,412	(203,332)	-	(203,332)	-	-
General administration and finance	185,961	10,502	12,378	-	(163,081)	-	(163,081)	-	-
General City responsibilities	67,948	29,604	5,005	-	(33,339)	-	(33,339)	-	-
Unallocated Interest on long-term debt	94,060	-	-	-	(94,060)	-	(94,060)	-	-
Total governmental activities	3,085,347	382,489	927,256	50,479	(1,725,123)	-	(1,725,123)	-	-
Business-type activities:									
Airport	624,832	503,914	-	46,902	-	(74,016)	(74,016)	-	-
Transportation	726,053	222,115	115,339	100,954	-	(287,645)	(287,645)	-	-
Port	61,937	61,193	-	2,224	-	1,480	1,480	-	-
Water	236,824	216,531	2,999	-	-	(17,294)	(17,294)	-	-
Power	95,020	108,224	-	-	-	13,204	13,204	-	-
Hospitals	714,349	515,092	64,963	-	-	(134,294)	(134,294)	-	-
Sewer	168,954	193,411	-	-	-	24,457	24,457	-	-
Market	1,061	1,567	-	-	-	506	506	-	-
Total business-type activities	2,629,030	1,822,047	183,301	150,080	-	(473,602)	(473,602)	-	-
Total primary government	$5,714,377	$2,204,536	$ 1,110,557	$ 200,559	(1,725,123)	(473,602)	(2,198,725)	-	-
Component units:									
San Francisco Redevelopment Agency	$ 128,622	$ 26,246	$ 8,964	$ -				(93,412)	-
Treasure Island Development Authority	11,231	8,267	202	-				-	(2,762)
Total component units	$ 139,853	$ 34,513	$ 9,166	$ -				(93,412)	(2,762)
General Revenues:									
Taxes:									
Property taxes					1,126,992	-	1,126,992	74,462	-
Business taxes					337,592	-	337,592	-	-
Other local taxes					668,824	-	668,824	5,478	-
Interest and investment income					86,233	85,692	171,925	16,518	151
Other					33,046	218,184	251,230	11,810	1,056
Special item					-	17,386	17,386	-	-
Transfers - internal activities of primary government					(451,171)	451,171	-	-	-
Total general revenues, special item and transfers					1,801,516	772,433	2,573,949	108,268	1,207
Change in net assets					76,393	298,831	375,224	14,856	(1,555)
Net assets (deficit) - beginning					1,794,618	4,412,433	6,207,051	(72,399)	(2,599)
Net assets (deficit) - ending					$ 1,871,011	$ 4,711,264	$ 6,582,275	$ (57,543)	$ (4,154)

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, 2007
(with comparative financial information as of June 30, 2006)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2007	2006	2007	2006	2007	2006
ASSETS						
Deposits and investments with City Treasury	$ 489,610	$ 443,102	$ 849,221	$ 1,060,891	$ 1,338,831	$ 1,503,993
Deposits and investments outside City Treasury	225	1,465	51,518	22,287	51,743	23,752
Receivables:						
Property taxes and penalties	48,348	34,157	11,330	8,429	59,678	42,586
Other local taxes	171,134	154,505	15,049	13,952	186,183	168,457
Federal and state grants and subventions	84,416	63,843	77,251	90,243	161,667	154,086
Charges for services	22,239	17,117	8,357	5,077	30,596	22,194
Interest and other	15,346	6,184	15,041	9,035	30,387	15,219
Due from other funds	30,115	30,859	16,644	3,960	46,759	34,819
Due from component unit	5,707	3,848	958	958	6,665	4,806
Loans receivable (net of allowance for uncollectible amount of $414,545 in 2007; $383,869 in 2006)	-	-	64,504	74,041	64,504	74,041
Deferred charges and other assets	7,823	7,243	1,789	1,729	9,612	8,972
Total assets	$ 874,963	$ 762,323	$ 1,111,662	$ 1,290,602	$ 1,986,625	$ 2,052,925
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 99,151	$ 84,710	$ 82,424	$ 88,151	$ 181,575	$ 172,861
Accrued payroll	56,494	51,792	12,628	10,982	69,122	62,774
Deferred tax, grant and subvention revenues	44,122	33,473	22,899	30,442	67,021	63,915
Due to other funds	1,272	821	49,963	61,964	51,235	62,785
Deferred credits and other liabilities	132,463	130,251	83,270	94,755	215,733	225,006
Bonds, loans, capital leases, and other payables	-	-	150,000	150,000	150,000	150,000
Total liabilities	333,502	301,047	401,184	436,294	734,686	737,341
Fund balances:						
Reserved for rainy day	133,622	121,976	-	-	133,622	121,976
Reserved for assets not available for appropriation	12,665	10,710	19,413	20,202	32,078	30,912
Reserved for debt service	-	-	51,299	57,429	51,299	57,429
Reserved for encumbrances	60,948	38,159	288,948	423,120	349,896	461,279
Reserved for appropriation carryforward	161,127	124,009	292,234	294,340	453,361	418,349
Reserved for subsequent years' budgets	32,062	27,451	8,004	8,004	40,066	35,455
Unreserved (deficit), reported in:						
General fund	141,037	138,971	-	-	141,037	138,971
Special revenue funds	-	-	47,445	35,243	47,445	35,243
Capital project funds	-	-	(373)	13,662	(373)	13,662
Permanent fund	-	-	3,508	2,308	3,508	2,308
Total fund balances	541,461	461,276	710,478	854,308	1,251,939	1,315,584
Total liabilities and fund balances	$ 874,963	$ 762,323	$ 1,111,662	$ 1,290,602	$ 1,986,625	$ 2,052,925

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 Assets
June 30, 2007

(In Thousands)

Fund balances - total governmental funds	$ 1,251,939
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,895,233
Bond issue costs are not financial resources and, therefore, are not reported in the funds.	17,165
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,253,472)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(7,033)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the funds.	158,203
Internal service funds are used by management to charge the costs of capital lease financing, fleet management, printing and mailing services, and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	(191,024)
Net assets of governmental activities	$ 1,871,011

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, 2007
(with comparative financial information for year ended June 30, 2006)

(In Thousands)

	General Fund 2007	General Fund 2006	Other Governmental Funds 2007	Other Governmental Funds 2006	Total Governmental Funds 2007	Total Governmental Funds 2006
Revenues:						
Property taxes	$ 887,690	$ 783,303	$ 220,174	$ 224,848	$ 1,107,864	$ 1,008,151
Business taxes	336,757	322,407	835	746	337,592	323,153
Other local taxes	540,695	480,501	128,129	115,163	668,824	595,664
Licenses, permits and franchises	19,639	20,825	7,789	6,837	27,428	27,662
Fines, forfeitures and penalties	4,720	10,195	4,151	4,254	8,871	14,449
Interest and investment income	30,089	22,496	53,757	47,550	83,846	70,046
Rents and concessions	18,449	20,007	34,044	32,419	52,493	52,426
Intergovernmental:						
Federal	183,573	182,448	198,115	168,537	381,688	350,985
State	479,748	490,187	102,918	75,802	582,666	565,989
Other	-	-	15,689	23,500	15,689	23,500
Charges for services	125,682	126,433	147,375	137,561	273,057	263,994
Other	21,697	15,037	22,387	46,528	44,084	61,565
Total revenues	2,648,739	2,473,839	935,363	883,745	3,584,102	3,357,584
Expenditures:						
Current:						
Public protection	809,075	739,470	56,481	47,928	865,556	787,398
Public works, transportation and commerce	65,184	46,448	215,723	228,221	280,907	274,669
Human welfare and neighborhood development	568,241	524,516	171,930	172,586	740,171	697,102
Community health	410,169	377,226	99,675	94,515	509,844	471,741
Culture and recreation	93,992	80,516	192,143	176,463	286,135	256,979
General administration and finance	157,981	146,567	9,524	14,628	167,505	161,195
General City responsibilities	56,834	53,065	698	698	57,532	53,763
Debt service:						
Principal retirement	-	-	98,169	86,970	98,169	86,970
Interest and fiscal charges	-	-	71,266	75,975	71,266	75,975
Bond issuance costs	-	-	3,683	1,933	3,683	1,933
Capital outlay	-	-	283,370	153,493	283,370	153,493
Total expenditures	2,161,476	1,967,808	1,202,662	1,053,410	3,364,138	3,021,218
Excess (deficiency) of revenues over expenditures	487,263	506,031	(267,299)	(169,665)	219,964	336,366
Other financing sources (uses):						
Transfers in	71,277	62,431	146,021	162,092	217,298	224,523
Transfers out	(486,600)	(420,086)	(182,247)	(135,069)	(668,847)	(555,155)
Issuance of bonds and loans						
Face value of bonds issued	-	-	312,955	219,120	312,955	219,120
Face value of loans issued	-	-	141	5,359	141	5,359
Premium on issuance of bonds	-	-	3,521	10,233	3,521	10,233
Discount on issuance of bonds	-	-	(1,856)	-	(1,856)	-
Payment to refunded bond escrow agent	-	-	(159,610)	-	(159,610)	-
Other financing sources-capital leases	8,245	5,220	4,544	1,662	12,789	6,882
Total other financing sources (uses)	(407,078)	(352,435)	123,469	263,397	(283,609)	(89,038)
Net change in fund balances	80,185	153,596	(143,830)	93,732	(63,645)	247,328
Fund balances at beginning of year	461,276	307,680	854,308	760,576	1,315,584	1,068,256
Fund balances at end of year	$ 541,461	$ 461,276	$ 710,478	$ 854,308	$ 1,251,939	$ 1,315,584

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, 2007

(In Thousands)

Net change in fund balances - total governmental funds	$ (63,645)
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 in the current period plus assets donated to the City and acquired by funding from other revenues.	224,846
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount by which the decrease in certain liabilities reported in the statement of net assets of the previous year exceeded expenses reported in the statement of activities that do not require the use of current financial resources.	(39,293)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	19,128
Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities.	5,783
Governmental funds report expenditures pertaining to the establishment of certain deferred credits related to long-term loans made. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding expense is not reported on the statement of activities.	(30,723)
Lease payments on the Moscone Convention Center (including both principal and interest) are reported as expenditures in the governmental funds when paid. For the City as a whole, however, the principal portion of the payments serve to reduce the liability in the statement of net assets. This is the amount of property rent payments expended in the governmental funds that were reclassified as capital lease principal and interest payments in the current period.	19,700
Bond issue costs are reported in the governmental funds when paid, and are capitalized and amortized in the statement of activities. This is the amount by which current year bond issue costs exceed amortization expense in the current period.	2,828
The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consume the current financial resources of governmental funds. These transactions, however, have no effect on net assets. This is the amount by which bond and other debt proceeds exceeded principal retirement in the current period.	(58,099)
Bond premiums and discounts are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net assets. This is the amount of bond premiums capitalized during the current period.	(1,665)
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond discounts, premiums and refunding losses; and change in the accrual of arbitrage liabilities.	(13,229)
The net revenues of certain activities of internal service funds is reported with governmental activities.	10,762
Change in net assets of governmental activities	$ 76,393

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

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement - General Fund

Year ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	$ 125,125	$ 478,001	$ 478,001	$ -
Resources (Inflows):				
Property taxes	837,543	837,543	894,825	57,282
Business taxes	332,168	332,168	336,757	4,589
Other local taxes:				
Sales tax	106,236	106,236	107,813	1,577
Hotel room tax	125,907	125,907	143,072	17,165
Utility users tax	79,438	79,438	78,729	(709)
Parking tax	36,052	58,347	64,763	6,416
Real property transfer tax	105,000	105,000	143,976	38,976
Stadium admission tax	2,876	2,876	2,342	(534)
Licenses, permits, and franchises:				
Licenses and permits	7,069	7,069	7,225	156
Franchise tax	13,848	13,848	14,915	1,067
Fines, forfeitures, and penalties	4,899	4,899	4,720	(179)
Interest and investment income	33,989	33,994	40,118	6,124
Rents and concessions:				
Garages - Recreation and Park	9,272	9,272	10,600	1,328
Rents and concessions - Recreation and Park	9,252	9,252	6,090	(3,162)
Other rents and concessions	1,614	1,614	1,759	145
Intergovernmental:				
Federal subventions:				
Health and social service subventions	185,430	175,735	179,696	3,961
Other grants and subventions	8,843	9,155	3,878	(5,277)
State subventions:				
Social service subventions	95,111	100,866	95,654	(5,212)
Health / mental health subventions	107,408	108,035	99,270	(8,765)
Health and welfare realignment	165,199	165,199	172,431	7,232
Public safety sales tax	74,030	74,030	69,286	(4,744)
Motor vehicle in-lieu - county	5,604	5,604	4,672	(932)
Other grants and subventions	22,923	29,059	38,434	9,375
Charges for services:				
General government service charges	43,739	43,739	38,802	(4,937)
Public safety service charges	24,146	24,761	25,648	887
Recreation charges - Recreation and Park	7,076	7,076	6,205	(871)
MediCal, MediCare and health service charges	59,012	57,755	55,027	(2,728)
Other financing sources:				
Transfers from other funds	57,159	62,659	62,233	(426)
Proceeds from issuance of bonds and loans	901	901	-	(901)
Other resources (inflows)	17,948	13,809	12,364	(1,445)
Total amounts available for appropriation	$ 2,704,817	$ 3,083,847	$ 3,199,305	$ 115,458

(Continued)

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

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement - General Fund *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation	$ 10,800	$ 10,978	$ 10,729	$ 249
District Attorney	29,998	30,430	30,352	78
Emergency Communications	5,216	5,400	5,187	213
Fire Department	222,083	225,585	225,234	351
Juvenile Probation	36,452	34,259	33,902	357
Police Department	301,505	307,766	307,046	720
Public Defender	22,044	21,770	21,637	133
Sheriff	141,531	136,622	136,593	29
Trial Courts	31,256	31,272	31,261	11
Subtotal - Public Protection	800,885	804,082	801,941	2,141
Public Works, Transportation and Commerce				
Board of Appeals	570	579	575	4
Business and Economic Development	4,039	3,187	3,097	90
Clean Water	197	210	188	22
General Services Agency - Public Works	33,928	51,379	50,942	437
Hetch Hetchy	-	29	29	-
Parking and Traffic Commission	-	266	247	19
Public Utilities Commission	-	29	22	7
Subtotal - Public Works, Transportation and Commerce	38,734	55,679	55,100	579
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	23,003	22,056	21,043	1,013
Commission on the Status of Women	2,855	3,695	3,611	84
County Education Office	74	74	74	-
Environment	1,420	1,110	1,036	74
Human Rights Commission	1,120	1,127	1,127	-
Human Services	561,209	550,519	536,636	13,883
Subtotal - Human Welfare and Neighborhood Development	589,681	578,581	563,527	15,054
Public Health	424,786	428,460	410,169	18,291
Culture and Recreation				
Academy of Sciences	2,245	2,245	2,245	-
Art Commission	7,659	7,632	7,630	2
Asian Art Museum	7,136	6,773	6,707	66
Fine Arts Museum	9,551	9,818	9,818	-
Law Library	589	598	597	1
Recreation and Park Commission	71,789	66,025	65,953	72
Subtotal - Culture and Recreation	98,969	93,091	92,950	141

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

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement - General Fund *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder	10,840	11,034	10,959	75
Board of Supervisors	10,833	10,166	10,013	153
City Attorney	10,538	11,094	10,952	142
City Planning	20,534	19,979	19,443	536
Civil Service	590	624	609	15
Controller	18,664	18,976	18,024	952
Elections	8,602	9,872	9,847	25
Ethics Commission	8,416	2,271	1,828	443
General Services Agency - Administrative Services	64,772	46,098	44,764	1,334
General Services Agency - Telecomm. and Info. Services	2,365	4,335	4,196	139
Human Resources	14,031	9,828	9,407	421
Mayor	8,359	12,283	11,693	590
Retirement Services	396	374	374	-
Treasurer/Tax Collector	23,031	21,384	20,583	801
Subtotal - General Administration and Finance	201,971	178,318	172,692	5,626
General City Responsibilities				
General City Responsibilities	60,101	61,834	58,540	3,294
Other financing uses:				
Transfers to other funds	429,313	498,202	483,268	14,934
Budgetary reserves and designations	60,377	22,856	-	22,856
Total charges to appropriations	2,704,817	2,721,103	2,638,187	82,916
Total Sources less Current Year Uses	-	362,744	561,118	198,374
Budgetary Reserves Carried Forward into Subsequent Year		39,340	2,317	(37,023)
New Deposits into Rainy Day Reserves from Current Year				
Economic Stabilization Account		19,646	-	(19,646)
One-Time Spending Account		9,823	-	(9,823)
Budgetary Fund Balance, June 30		$ 431,553	$ 563,435	$ 131,882

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

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	$3,199,305
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	(478,001)
Property tax revenue - Teeter Plan	(7,135)
Unrealized gain/(loss) on investment	189
Interest earnings / charges from other funds being reclassified	(10,216)
Interest earnings from agency funds reclassified as other revenues	9,333
Other budget to GAAP differences	(2,503)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(62,233)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$2,648,739
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	$2,638,187
Difference - budget to GAAP:	
Capital asset purchases funded under capital leases with Finance Corporation & Other Vendors	8,245
Other budget to GAAP differences	(236)
Loans to Redevelopment Agency for Visitation Valley & Bay View Hunters Point	(1,452)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(483,268)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$2,161,476

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets - Proprietary Funds

June 30, 2007

(with comparative financial information as of June 30, 2006)

(In Thousands)

	Business-type Activities - Enterprise Funds: Major Funds: San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Other Fund: San Francisco Market Corporation	Total 2007	Total 2006	Governmental Activities-Internal Service Funds 2007	Governmental Activities-Internal Service Funds 2006
ASSETS													
Current Assets:													
Deposits and investments with City Treasury	$ 263,176	$ 105,730	$146,172	$ 110,650	$ 50,910	$ 52,222	$ 80,688	$ -	$ -	$ 809,548	$ 681,935	$ 11,029	$ 7,943
Deposits and investments outside City Treasury	10	40	10	7,007	10	-	5	1	4,268	11,351	9,758	58,127	25,133
Receivables (net of allowance for uncollectible amounts of $32,789 and $41,774 in 2007 and 2006, respectively):													
Federal and state grants and subventions	-	-	-	49,546	3,024	-	1,571	-	-	54,141	57,707	-	-
Charges for services	37,733	44,287	10,005	7,548	41,371	30,661	5,318	29,245	12	206,180	194,800	-	78
Interest and other	4,425	2,126	3,531	8,921	21,889	705	-	-	-	41,597	43,787	1,133	835
Loans receivable	-	-	132	430	-	-	-	-	-	562	132	23,332	21,855
Due from other funds	-	208	15,033	25,567	-	-	-	-	-	40,808	45,633	-	-
Inventories	60	1,563	270	42,884	3,946	-	1,245	1,179	-	51,147	53,051	-	-
Deferred charges and other assets	1,493	-	-	1,039	-	-	37	-	23	2,592	3,531	-	149
Restricted assets:													
Deposits and investments with City Treasury	15,099	-	-	-	-	-	5,789	42,957	-	63,845	54,218	-	-
Deposits and investments outside City Treasury	40,226	-	-	-	-	-	5,025	-	-	45,251	45,306	-	-
Grants and other receivables	605	-	-	-	-	-	169	-	-	774	36	-	-
Total current assets	362,827	153,954	175,153	253,592	121,150	83,588	99,847	73,382	4,303	1,327,796	1,189,894	93,621	55,993
Noncurrent assets:													
Deferred charges and other assets	49,162	7,627	-	1,568	-	2,893	3,904	-	-	65,154	72,632	3,388	2,551
Loans receivable	-	-	324	-	-	-	-	-	-	324	455	227,865	210,947
Due from component unit	-	-	2,599	-	-	-	-	-	-	2,599	-	-	-
Restricted assets:													
Deposits and investments with City Treasury	127,843	219,521	-	16,417	-	85,005	-	-	-	448,786	617,925	-	-
Deposits and investments outside City Treasury	159,020	56,215	-	34,695	17	15	2,146	780	-	252,888	265,093	-	-
Grants and other receivables	31,307	3,578	-	5,019	-	1,084	-	545	-	41,533	61,670	-	-
Capital assets:													
Land and other assets not being depreciated	70,931	329,375	63,340	323,681	6,262	65,024	155,007	236,791	-	1,250,411	1,208,435	-	-
Facilities, infrastructrure, and equipment, net of depreciation	3,570,010	744,880	215,480	1,638,986	47,970	1,270,446	117,355	7,406	4,590	7,617,123	7,320,619	5,536	4,475
Total capital assets	3,640,941	1,074,255	278,820	1,962,667	54,232	1,335,470	272,362	244,197	4,590	8,867,534	8,529,054	5,536	4,475
Total noncurrent assets	4,008,273	1,361,196	281,743	2,020,366	54,249	1,424,467	278,412	245,522	4,590	9,678,818	9,546,829	236,789	217,973
Total assets	4,371,100	1,515,150	456,896	2,273,958	175,399	1,508,055	378,259	318,904	8,893	11,006,614	10,736,723	330,410	273,966

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2007
(with comparative financial information for year ended June 30, 2006)
(In Thousands)

Business-type Activities - Enterprise Funds

	Major Funds: San Francisco International Airport	Major Funds: San Francisco Water Enterprise	Major Funds: Hetch Hetchy Water and Power	Major Funds: Municipal Transportation Agency	Major Funds: General Hospital Medical Center	Major Funds: San Francisco Wastewater Enterprise	Major Funds: Port of San Francisco	Major Funds: Laguna Honda Hospital	Other Fund: San Francisco Market Corporation	Total 2007	Total 2006	Governmental Activities-Internal Service Funds 2007	Governmental Activities-Internal Service Funds 2006
Operating revenues:													
Aviation	$ 296,368	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 296,368	$ 263,422	$ -	$ -
Water and power service	-	202,787	108,009	-	-	-	-	-	-	310,796	329,230	-	-
Passenger fees	-	-	-	141,518	-	-	-	-	-	141,518	134,553	-	-
Net patient service revenue	-	-	-	-	364,211	-	-	140,843	-	505,054	457,571	-	-
Sewer service	-	-	-	-	-	176,344	-	-	-	176,344	159,281	-	-
Rents and concessions	88,225	9,929	215	32,134	2,464	-	47,781	-	-	180,748	174,621	19	61
Parking and transportation	67,428	-	-	40,470	-	-	10,514	-	-	118,412	104,725	-	-
Other charges for services	-	-	-	2,106	-	-	-	-	1,567	3,673	3,655	111,520	98,943
Other revenues	51,893	3,815	-	5,887	6,850	17,067	2,898	724	-	89,134	87,430	-	-
Total operating revenues	503,914	216,531	108,224	222,115	373,525	193,411	61,193	141,567	1,567	1,822,047	1,714,488	111,539	99,004
Operating expenses:													
Personal services	163,945	87,200	28,992	466,359	307,828	58,789	24,235	157,801	205	1,295,354	1,131,815	46,983	42,648
Contractual services	53,148	12,437	5,711	44,465	132,974	11,536	3,728	6,394	564	270,957	241,085	35,662	30,948
Light, heat and power	18,515	-	24,892	1,065	-	-	1,806	-	-	46,278	69,754	-	-
Materials and supplies	11,016	10,661	2,339	41,957	62,117	9,526	1,510	14,075	2	153,203	134,114	18,404	16,678
Depreciation and amortization	142,807	43,895	10,919	92,942	6,832	36,683	10,253	1,096	282	345,709	366,463	1,700	1,185
General and administrative	8,663	4,523	11,687	32,977	494	4,143	1,757	-	7	64,251	127,660	406	485
Services provided by other departments	12,425	33,242	3,301	41,641	17,197	28,010	11,184	6,054	-	153,054	148,183	5,072	4,834
Other	20,540	10,540	7,179	1,006	10	2,913	6,667	-	1	48,856	51,361	2,698	2,415
Total operating expenses	431,059	202,498	95,020	722,412	527,452	151,600	61,140	185,420	1,061	2,377,662	2,270,435	110,925	99,193
Operating income (loss)	72,855	14,033	13,204	(500,297)	(153,927)	41,811	53	(43,853)	506	(555,615)	(555,947)	614	(189)
Nonoperating revenues (expenses):													
Operating grants:													
Federal	-	2,999	-	6,008	-	-	-	-	-	9,007	24,455	-	-
State / other	-	-	-	109,331	64,963	-	-	-	-	174,294	164,217	-	-
Interest and investment income	36,272	24,547	6,478	6,609	-	5,749	4,223	1,655	159	85,692	53,161	9,362	7,966
Interest expense	(193,773)	(34,326)	-	(3,641)	(211)	(17,354)	(797)	(1,266)	-	(251,368)	(254,204)	(9,565)	(8,200)
Other, net	62,911	8,022	4,108	124,713	-	2,695	(1,158)	16,893	-	218,184	272,873	-	28
Total nonoperating revenues (expenses)	(94,590)	1,242	10,586	243,020	64,752	(8,910)	2,268	17,282	159	235,809	260,502	(203)	(206)
Income (loss) before capital contributions, transfers and special item	(21,735)	15,275	23,790	(257,277)	(89,175)	32,901	2,321	(26,571)	665	(319,806)	(295,445)	411	(395)
Capital contributions	46,902	-	-	100,954	-	-	2,224	-	-	150,080	110,403	-	-
Transfers in	-	-	-	256,196	130,224	-	-	138,366	-	524,786	395,685	550	636
Transfers out	(23,348)	(9,763)	-	(8,283)	(32,193)	(28)	-	-	-	(73,615)	(65,689)	-	-
Net income before special item	1,819	5,512	23,790	91,590	8,856	32,873	4,545	111,795	665	281,445	144,954	961	241
Special item	-	-	-	-	-	-	17,386	-	-	17,386	-	-	-
Change in net assets	1,819	5,512	23,790	91,590	8,856	32,873	21,931	111,795	665	298,831	144,954	961	241
Net assets (deficit) at beginning of year	314,923	433,062	412,055	1,801,702	51,003	926,377	307,767	157,594	7,950	4,412,433	4,267,479	(1,236)	(1,477)
Net assets (deficit) at end of year	$ 316,742	$ 438,574	$ 435,845	$ 1,893,292	$ 59,859	$959,250	$ 329,698	$269,389	$ 8,615	$4,711,264	$4,412,433	$ (275)	$ (1,236)

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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Assets - Proprietary Funds *(Continued)*
June 30, 2007
(with comparative financial information as of June 30, 2006)
(In Thousands)

Business-type Activities - Enterprise Funds

	Major Funds: San Francisco International Airport	Major Funds: San Francisco Water Enterprise	Major Funds: Hetch Hetchy Water and Power	Major Funds: Municipal Transportation Agency	Major Funds: General Hospital Medical Center	Major Funds: San Francisco Wastewater Enterprise	Major Funds: Port of San Francisco	Major Funds: Laguna Honda Hospital	Other Fund: San Francisco Market Corporation	Total 2007	Total 2006	Governmental Activities-Internal Service Funds 2007	Governmental Activities-Internal Service Funds 2006
LIABILITIES													
Current liabilities:													
Accounts payable	37,769	7,659	9,950	64,170	26,254	4,493	4,617	3,008	121	158,041	121,868	10,077	5,904
Accrued payroll	6,625	5,528	1,062	18,808	12,290	2,796	1,063	6,264	-	54,436	46,498	1,773	1,603
Accrued vacation and sick leave pay	6,733	5,761	1,276	15,465	9,334	2,588	1,083	5,488	-	47,728	43,182	1,974	1,869
Accrued workers' compensation	1,141	1,699	428	20,423	3,713	804	478	2,143	-	30,829	35,466	145	216
Estimated claims payable	15	1,652	1,658	15,425	-	2,136	600	-	-	21,486	24,629	-	-
Due to other funds	28	4,815	-	8,121	2,085	-	-	17,620	-	32,669	17,667	3,663	-
Deferred credits and other liabilities	48,769	13,238	366	6,579	35,602	-	3,100	710	157	108,521	91,061	58,535	29,675
Accrued interest payable	-	7,574	-	336	-	6,143	132	-	-	14,185	18,472	1,748	1,305
Bonds, loans, capital leases, and other payables	75,083	19,170	107	8,189	1,183	97,837	88	519	-	202,176	142,119	21,510	20,672
Liabilities payable from restricted assets:													
Bonds, loans, capital leases, and other payables	15,017	-	-	-	-	-	4,070	-	-	19,087	17,393	-	-
Accrued interest payable	25,209	-	-	-	-	-	202	-	-	25,411	26,321	-	-
Other	8,614	29,245	-	1,456	-	4,090	6,428	1,014	-	50,847	38,331	-	-
Total current liabilities	225,003	96,341	14,847	158,972	90,461	120,887	21,861	36,766	278	765,416	623,007	99,425	61,244
Noncurrent liabilities:													
Accrued vacation and sick leave pay	6,102	5,410	1,039	11,045	6,852	2,142	855	3,726	-	37,171	36,381	1,865	2,061
Accrued workers' compensation	3,636	6,647	1,758	73,488	16,047	3,340	2,269	8,425	-	115,610	126,188	609	889
Estimated claims payable	25	5,282	3,124	41,517	-	6,575	500	-	-	57,023	53,154	-	-
Deferred credits and other liabilities	-	1,307	-	31,293	-	9	11,836	-	-	44,445	46,757	-	-
Bonds, loans, capital leases, and other payables	3,819,592	961,589	283	64,351	2,180	415,852	11,240	598	-	5,275,685	5,438,803	228,786	211,008
Total noncurrent liabilities	3,829,355	980,235	6,204	221,694	25,079	427,918	26,700	12,749	-	5,529,934	5,701,283	231,260	213,958
Total liabilities	4,054,358	1,076,576	21,051	380,666	115,540	548,805	48,561	49,515	278	6,295,350	6,324,290	330,685	275,202
NET ASSETS													
Invested in capital assets, net of related debt	(122,134)	300,996	278,820	1,874,735	50,869	901,113	262,937	243,080	4,590	3,795,006	3,438,397	5,335	4,292
Restricted:													
Debt service	159,020	56,196	-	33,333	-	1,107	-	-	-	249,656	256,055	-	-
Capital projects	34,641	-	-	-	-	-	154	40,976	-	75,771	148,957	-	-
Other purposes	-	-	-	23,709	-	-	-	-	-	23,709	32,354	-	-
Unrestricted (deficit)	245,215	81,382	157,025	(38,485)	8,990	57,030	66,607	(14,667)	4,025	567,122	536,670	(5,610)	(5,528)
Total net assets (deficit)	$ 316,742	$ 438,574	$ 435,845	$ 1,893,292	$ 59,859	$959,250	$329,698	$ 269,389	$ 8,615	$4,711,264	$4,412,433	$ (275)	$ (1,236)

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, 2007
(with comparative financial information for year ended June 30, 2006)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund				
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2007	Total 2006	Governmental Activities-Internal Service Funds 2007	Governmental Activities-Internal Service Funds 2006
Cash flows from operating activities:													
Cash received from customers, including cash deposits	$ 522,919	$ 203,038	$ 119,456	$ 259,403	$ 368,334	$ 187,337	$ 9,076	$ 137,061	$ 1,571	$ 1,808,195	$ 1,685,826	$ 140,277	$ 118,313
Cash received from tenants for rent	-	9,853	215	2,745	2,464	-	51,481	-	-	66,758	62,692	-	-
Cash paid to employees for services	(162,819)	(83,280)	(28,291)	(474,378)	(305,449)	(57,393)	(24,085)	(157,829)	(205)	(1,293,729)	(1,070,451)	(47,253)	(42,268)
Cash paid to suppliers for goods and services	(116,362)	(54,718)	(52,917)	(182,504)	(202,659)	(52,015)	(24,318)	(26,638)	(590)	(712,721)	(844,296)	(65,264)	(59,230)
Cash paid for judgments and claims	-	(5,415)	(2,687)	(10,752)	-	(1,118)	(160)	-	-	(20,132)	(22,081)	-	-
Net cash provided by (used in) operating activities	243,738	69,478	35,776	(405,486)	(137,310)	76,811	11,994	(47,406)	776	(151,629)	(188,310)	27,760	16,815
Cash flows from noncapital financing activities:													
Operating grants	-	2,999	-	244,053	63,868	-	-	-	-	310,920	281,258	-	-
Transfers in	-	-	-	227,150	130,224	-	-	47,116	-	404,490	385,038	550	636
Transfers out	(23,348)	(4,949)	-	(17,728)	(32,193)	(28)	-	-	-	(78,246)	(71,581)	-	-
Transit Impact Development fees received	-	-	-	1,309	-	-	-	-	-	1,309	410	-	-
Claims settlement proceeds	2,293	-	-	-	-	-	-	-	-	2,293	10,642	-	-
Other noncapital financing increases	-	-	4,108	14,072	-	444	-	2,176	-	20,800	38,853	-	-
Other noncapital financing decreases	(3,121)	-	-	-	(208)	-	-	-	-	(3,329)	(908)	-	-
Net cash provided by (used in) noncapital financing activities	(24,176)	(1,950)	4,108	468,856	161,691	416	-	49,292	-	658,237	643,712	550	636
Cash flows from capital and related financing activities:													
Capital grants	67,342	-	-	131,968	-	-	2,079	16,893	-	218,282	121,934	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	32,132	-	-
Bond sale proceeds and loans received	-	-	-	-	-	-	-	-	-	-	630,135	38,687	19,671
Principal payments on commercial paper borrowings	-	-	-	-	-	-	-	-	-	-	(120,000)	-	-
Proceeds from sale of capital assets	18	6,169	18	29	-	2,410	70	-	-	8,714	81	-	-
Proceeds from commercial paper borrowings	-	-	-	-	-	50,000	-	-	-	50,000	40,000	-	-
Proceeds from passenger facility charges	66,166	-	-	-	-	-	-	-	-	66,166	59,327	-	-
Acquisition of capital assets	(111,643)	(195,208)	(20,005)	(148,870)	(7,096)	(58,833)	(12,877)	(102,460)	(44)	(657,036)	(461,956)	(2,547)	(1,455)
Retirement of capital leases, bonds and loans	(79,415)	(48,955)	-	(10,202)	(437)	(49,875)	(4,059)	(548)	-	(193,491)	(230,056)	(20,533)	(19,321)
Bond issue costs paid	(881)	-	-	-	-	-	-	-	-	(881)	(1,537)	(504)	(319)
Interest paid on debt	(188,274)	(15,684)	-	(3,569)	(211)	(20,968)	(600)	(1,266)	-	(230,572)	(251,130)	(8,708)	(7,575)
Other capital financing increases	-	-	-	7,976	-	-	17,386	91,250	-	116,612	5,906	-	-
Other capital financing decreases	(6,177)	(1,419)	(104)	(25)	-	-	(1,473)	-	-	(9,198)	(7,092)	-	-
Net cash provided by (used in) capital and related financing activities	(252,864)	(255,097)	(20,091)	(22,693)	(7,744)	(77,266)	526	3,869	(44)	(631,404)	(182,256)	6,395	(8,999)
Cash flows from investing activities:													
Purchases of investments with trustees	(1,136,705)	(48,768)	-	-	-	-	-	-	(13,884)	(1,197,355)	(1,465,657)	(56,540)	-
Proceeds from sale of investments with trustees	1,129,585	69,633	-	28,264	-	-	-	-	10,169	1,237,651	1,413,568	21,473	-
Interest and investment income	37,448	22,446	4,450	5,177	-	4,790	3,448	1,655	161	79,575	54,769	1,791	773
Other investing activities	-	1,889	-	-	(5)	-	-	49	-	1,933	551	(416)	(402)
Net cash provided by (used in) investing activities	30,328	47,202	4,450	33,441	(5)	4,790	3,448	1,704	(3,554)	121,804	3,231	(33,692)	371
Net increase (decrease) in cash and cash equivalents	(2,974)	(140,367)	24,243	74,118	16,632	4,751	15,968	7,459	(2,822)	(2,992)	276,377	1,013	8,823
Cash and cash equivalents-beginning of year	406,580	465,658	121,939	93,480	34,288	132,476	75,177	35,499	3,376	1,368,473	1,092,096	33,076	24,253
Cash and cash equivalents-end of year	$ 403,606	$ 325,291	$ 146,182	$ 167,598	$ 50,920	$ 137,227	$ 91,145	$ 42,958	$ 554	$ 1,365,481	$ 1,368,473	$ 34,089	$ 33,076

(Continued)

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

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CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows *(Continued)*
Proprietary Funds

Year ended June 30, 2007
(with comparative financial information for year ended June 30, 2006)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund				
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2007	Total 2006	Governmental Activities-Internal Service Funds 2007	Governmental Activities-Internal Service Funds 2006
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:													
Operating income (loss)	$ 72,855	$ 14,033	$ 13,204	$ (500,297)	$ (153,927)	$ 41,811	$ 53	$ (43,853)	$ 506	$ (555,615)	$ (555,947)	$ 613	$ (189)
Adjustments for non-cash activities:													
Depreciation and amortization	142,807	43,895	10,919	92,942	6,832	36,683	10,253	1,095	282	345,708	366,463	1,700	1,185
Provision for uncollectibles	(2,447)	-	(179)	(96)	-	68	142	-	-	(2,512)	134	-	-
Write-off of capital assets	-	10,193	4,583	-	-	710	-	-	-	15,486	11,172	-	-
Other	7,444	(1,457)	(10)	(3,866)	-	-	(233)	-	-	1,878	34,170	-	28
Changes in assets/liabilities:													
Receivables, net	985	(1,982)	13,539	3,691	(15,651)	(6,074)	(773)	(1,811)	2	(8,074)	(34,533)	20,600	18,513
Due from other funds	-	-	(1,982)	509	-	-	-	-	-	(1,473)	(1,918)	-	24
Inventories	16	175	6	305	1,314	-	(93)	180	-	1,903	(177)	-	-
Deferred charges and other assets	739	-	-	376	-	-	2,098	-	2	3,215	1,115	150	-
Accounts payable	14,749	2,883	(4,045)	8,890	8,819	249	(1,010)	(294)	(19)	30,222	(7,412)	3,561	(429)
Accrued payroll	796	1,488	(353)	2,544	2,334	247	-	651	-	7,707	6,068	171	218
Accrued vacation and sick leave pay	505	776	173	1,799	(953)	414	-	(1,191)	-	1,523	(632)	(92)	208
Accrued workers' compensation	(175)	(373)	248	(12,370)	997	(29)	-	512	-	(11,190)	(10,089)	(351)	(46)
Estimated claims payable	-	1,134	(217)	(2,662)	-	2,732	-	-	-	987	11,582	-	-
Due to other funds	-	(63)	-	-	12,925	-	-	(2,617)	-	10,245	3,672	(177)	-
Deferred credits and other liabilities	5,464	(1,224)	(110)	2,749	-	-	1,557	(78)	3	8,361	(11,978)	1,585	(2,697)
Total adjustments	170,883	55,445	22,572	94,811	16,617	35,000	11,941	(3,553)	270	403,986	367,637	27,147	17,004
Net cash provided by (used in) operating activities	$ 243,738	$ 69,478	$ 35,776	$ (405,486)	$ (137,310)	$ 76,811	$ 11,994	$ (47,406)	$ 776	$ (151,629)	$ (188,310)	$ 27,760	$ 16,815
Reconciliation of cash and cash equivalents to the statement of net assets:													
Deposits and investments with City Treasury:													
Unrestricted	$ 263,176	$ 105,730	$ 146,172	$ 110,651	$ 50,910	$ 52,222	$ 80,688	$ -	$ -	$ 809,549	$ 681,935	$ 11,029	$ 7,943
Restricted	142,942	219,521	-	16,417	-	85,005	5,789	42,957	-	512,631	672,143	-	-
Unrestricted deposits and investments outside City Treasury	10	40	10	7,006	10	-	5	1	554	7,636	9,758	23,060	25,133
Total deposits and investments	406,128	325,291	146,182	134,074	50,920	137,227	86,482	42,958	554	1,329,816	1,363,836	34,089	33,076
Add: Restricted deposits and investments outside City Treasury meeting the definition of cash equivalents	-	-	-	33,524	-	-	4,663	-	-	38,187	5,539	-	-
Less: Investments not meeting the definition of cash equivalents	(2,522)	-	-	-	-	-	-	-	-	(2,522)	(902)	-	-
Cash and cash equivalents at end of year on statement of cash flows	$ 403,606	$ 325,291	$ 146,182	$ 167,598	$ 50,920	$ 137,227	$ 91,145	$ 42,958	$ 554	$ 1,365,481	$ 1,368,473	$ 34,089	$ 33,076

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007
(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
ASSETS			
Deposits and investments with City Treasury	$ 70,167	$ 645,568	$ 60,894
Deposits and investments outside City Treasury:			
Cash and deposits	70,495	105	14
Short term bills and notes	1,426,876	-	-
Debt securities	4,254,683	-	-
Equity securities	8,835,816	-	-
Real estate	1,698,685	-	-
Venture capital	1,604,653	-	-
Foreign currency contracts, net	10,466	-	-
Receivables:			
Employer and employee contributions	27,285	-	40,602
Brokers, general partners and others	853,921	-	-
Interest and other	57,491	9,776	143,626
Invested securities lending collateral	2,220,679	-	-
Deferred charges and other assets	-	-	26,658
Total assets	21,131,217	655,449	$ 271,794
LIABILITIES			
Accounts payable	15,134	9,266	$ 52,105
Estimated claims payable	10,025	-	-
Agency obligations	-	-	219,689
Obligations under fixed coupon dollar reverse repurchase agreements	468,164	-	-
Payable to brokers	1,390,144	-	-
Securities lending collateral	2,220,679	-	-
Deferred credits and other liabilities	31,128	-	-
Total liabilities	4,135,274	9,266	$ 271,794
NET ASSETS			
Held in trust for pension and other employee benefits and external pool participants	$ 16,995,943	$ 646,183	

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2007

(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
Additions:		
Employees' contributions	$ 252,362	$ -
Employer contributions	576,705	-
Contributions to pooled investments	-	2,600,231
Total contributions	829,067	2,600,231
Investment income:		
Interest	241,499	31,395
Dividends	167,408	-
Net increase in fair value of investments	2,424,618	-
Securities lending income	106,208	-
Fixed coupon dollar reverse repurchase agreement income	27,050	-
Total investment income	2,966,783	31,395
Less investment expenses:		
Securities lending borrower rebates and expenses	(98,375)	-
Fixed coupon dollar reverse repurchase finance charges and expenses	(25,129)	-
Other expenses	(44,009)	-
Total investment expenses	(167,513)	-
Total additions, net	3,628,337	2,631,626
Deductions:		
Benefit payments	1,152,949	-
Refunds of contributions	7,645	-
Distribution from pooled investments	-	2,532,885
Administrative expenses	11,362	-
Total deductions	1,171,956	2,532,885
Change in net assets	2,456,381	98,741
Net assets at beginning of year	14,539,562	547,442
Net assets at end of year	$ 16,995,943	$ 646,183

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

(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 (The Authority) - The voters of the City created the Authority in 1989 to impose a voter-approved sales and use tax of one-half of one percent, for a period not to exceed 20 years, to fund essential traffic and transportation projects. In 2003, the voters approved Proposition K, extending the city-wide one-half of one percent sales tax with a new 30 year plan. A board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the Authority. The Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Authority can be obtained from their finance and administrative offices at 100 Van Ness Avenue, 26th Floor, San Francisco, CA 94102.

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

San Francisco Parking Authority (The Parking Authority) - The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (DPT). The DPT consists of five commissioners appointed by the mayor. Upon creation of the DPT, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the DPT. The staff and fiscal operations of the Parking Authority were also incorporated into the DPT. Beginning on July 1, 2002, the responsibility for overseeing the operations of the DPT became the responsibility of the Municipal Transportation Agency (MTA) pursuant to Proposition E which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the MTA administrative offices at 1 South Van Ness Avenue, 7th Floor, San Francisco, CA 94102.

Discretely Presented Component Units

San Francisco Redevelopment Agency (The Agency) - The Agency is a public body, corporate and politic, organized and existing under the Community Redevelopment Law of the State of California. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern it. The Agency has adopted as its mission the creation of affordable housing and economic development opportunities Citywide. Included in its financial data are the accounts of the San

Francisco Redevelopment Financing Authority (SFRFA), a blended component unit of the Agency. The SFRFA is a separate joint-powers authority formed between the Agency and the City to facilitate the long-term financing of Agency activities. The Agency's governing commission serves as the Board of Directors of the SFRFA.

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

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

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

The TIDA's governing body is not substantively the same as that of the City and does not provide services entirely or almost entirely to the City. The TIDA is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the TIDA through the appointment of the TIDA's Board and the ability of the City to approve the TIDA's budget. Disclosures related to the TIDA, where significant, are separately identified throughout these notes. Separate financial statements are not prepared for TIDA. Further information about TIDA can be obtained from their administrative offices at 410 Palm Avenue, Building 1, Room 223, Treasure Island, San Francisco, CA 94130.

Non-Disclosed Organizations

There are other governmental agencies that provide services within the City. These entities have independent governing boards and the City is not financially accountable for them. The City's basic financial statements, except for certain cash held by the City as an agent, do not reflect operations of the San Francisco Airport Improvement Corporation, San Francisco Health Authority, San Francisco Housing Authority, Private Industry Council of San Francisco, 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, of which both are also excluded from the City's reporting entity.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Government-wide and fund financial statements

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 120 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental fund:

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

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

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

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

The ***Hetch Hetchy Water and Power Enterprise Fund*** accounts for the activities of Hetch Hetchy Water and Power Department (Hetch Hetchy). The department is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity.

The ***Municipal Transportation Agency Fund*** accounts for the activities of the Municipal Transportation Agency (MTA). The MTA was established by Proposition E, passed by the City's voters in November 1999. The MTA includes the San Francisco Municipal Railway (MUNI), San Francisco Municipal Railway Improvement Corporation (SFMRIC), and the operations of the Department of Parking and Traffic (DPT), which includes the Parking Authority. MUNI was established in 1912 and is responsible for the operations of the City's public transportation system. SFMRIC is a nonprofit corporation established to provide capital financial assistance for the modernization of MUNI by acquiring, constructing, and financing improvements to the City's public transportation system. DPT is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. DPT is a separate department of the MTA. The parking garages fund accounted for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.

The ***San Francisco General Hospital Medical Center Fund*** accounts for the activities of the San Francisco General Hospital Medical Center (SFGH), a City-owned acute care hospital.

The ***San Francisco Wastewater Enterprise Fund*** (formerly known as the Clean Water Program) was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue $240 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City municipal sewage treatment and disposal system.

The ***Port of San Francisco Fund*** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.

The ***Laguna Honda Hospital Fund*** accounts for the activities of Laguna Honda Hospital, the City-owned skilled nursing facility which specializes in serving elderly and disabled residents.

Additionally, the City reports the following fund types:

The ***Permanent Fund*** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.

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.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

The ***Pension and Other Employee Benefit Trust Funds*** reflect the activities of the Employees' Retirement System and the Health Service System. 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 ***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, and the Trial Courts are accounted for within the Investment Trust Fund.

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

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

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

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

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

(c) Budgetary Data

The City adopts annual budgets for all governmental funds on a substantially modified accrual basis of accounting except for capital project funds and certain debt service funds which substantially adopt project length budgets.

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

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

Original Budget

(1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.

(2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.

(3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.

(4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.

(5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.

(6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes an interim appropriation and salary ordinances.

(7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

Final Budget

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

(1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

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

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

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

Generally, new or one-time federal and state grants, other capital projects, and debt issues are budgeted by the Mayor and the Board of Supervisors through a supplemental appropriation.

(d) Deposits and Investments

Investment in the Treasurer's Pool

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

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

The San Francisco Unified School District (school district), San Francisco Community College District (community college district), and the City are involuntary participants in the City's investment pool. As of June 30, 2007, involuntary participants accounted for approximately 94 percent of the pool. Voluntary participants accounted for 6 percent 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, 2007, $646.2 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 19 percent. Internal participants accounted for 81 percent of the pool.

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

Investment Valuation

Treasurer's Pool - All investments are carried at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. In the event that a certain fund overdraws its share of pooled cash, the overdraft is reported as a due to the General Fund.

Employees' Retirement System (Retirement System) - Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market price are reported at estimated fair value. Purchases and sales of investments are recorded on a trade date basis. The fair values of real estate holdings are estimated based primarily on appraisals prepared by third-party appraisers. Such market value estimates involve subjective judgments, and the actual market price of the real estate can only be determined by negotiation between independent third parties in a sales transaction.

The fair values of venture capital investments are estimated based primarily on audited financial statements provided to the individual fund managers. Such market value estimates involve subjective judgments, and the actual market price of the investments can only be determined by negotiation between independent third parties in a sales transaction.

The City Charter and Retirement System Board policies permit the Retirement System to use investments of the Retirement System's Pension Plan (the Plan) to enter into securities lending transactions. These are loans of securities to broker-dealers and other entities for collateral, with a simultaneous agreement to return collateral for the same securities in the future. The collateral may consist of cash or noncash; noncash collateral is generally U.S. treasuries or other U.S. government obligations. The Retirement System's securities custodians are agents in lending the Plan's domestic securities for cash collateral of 102% and international securities for cash collateral of 105%. Contracts with the lending agents require them to indemnify the Retirement System if the borrowers fail to return the securities (and if the collateral were inadequate to replace the securities lent) or if the borrowers fail to pay the Retirement System for income distributions by the securities' issuers while the securities are on loan. Non-cash collateral cannot be pledged or sold unless the borrower defaults.

Either the Retirement System or the borrower can terminate all securities loans on demand, although the average term of the loans at June 30, 2007 is eighty-two days. In lending domestic securities, cash collateral is invested in the lending agent's short-term investment pool, which at year-end had a weighted-average maturity of fifty-four days. In lending international securities, cash collateral is invested in a separate short-term investment pool, which at year-end had a weighted-average maturity of thirty-seven days. The relationship between the maturities of the investment pools and the Retirement System's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Retirement System cannot determine. Cash collateral may also be invested separately in term loans, in which case the maturity of the loaned securities matches the term of the loan. Cash received as collateral on securities lending transactions is reported as an asset, and liabilities from these transactions are reported in the statement of net assets. Additionally, the costs of securities lending transactions, such as borrower rebates and fees, are recorded as expenses.

The City Charter and Retirement System Board policies permit the Retirement System to use investments to enter into fixed coupon dollar repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase similar securities in the future at a lower price that reflects a financing rate. The fair value of the securities underlying fixed coupon dollar repurchase agreements equals the cash received. If the dealers default on their obligations to resell these securities to the Retirement System at the agreed-upon buy back price, the Retirement System could suffer an economic loss if the securities have to be purchased at a higher price (than the agreed-upon buy back price) in the open market. This credit exposure at June 30, 2007 was approximately $133 thousand.

Other funds - Non-pooled investments are also generally carried at fair value. However, money market investments (such as short term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations), and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) that have a remaining maturity at the time of purchase of one year or less are carried at amortized cost, which approximates fair value. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

Component Unit – San Francisco Redevelopment Agency (The Agency) – The Agency pools deposits and investments, except for certain investments restricted for developers' deposits and pledged assets relating to specific projects. The Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2007. Money market investments (such as short-term,

highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) that have a remaining maturity of less than one year at the date of purchase are valued at the amortized cost, which approximates fair value as of June 30, 2007.

Investment Income

Income from pooled investments is allocated at month end to the individual funds or external participants based on the fund or participant's average daily cash balance in relation to total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the General Fund. On a generally accepted accounting principles (GAAP) basis, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental funds, Internal Service, Investment Trust and Agency Funds.

It is the City's policy to charge interest at month end to those funds that have a negative average daily cash balance. In certain instances, City management has determined that the interest expense related to the fund should be allocated to the General Fund. On a budget basis, the interest expense is recorded in the General Fund. On a GAAP basis, the interest expense is recorded in the fund and then a transfer from the General Fund for an amount equal to the interest expense is made to the fund. This is the case for certain other funds, MTA, Laguna Honda Hospital, General Hospital Medical Center, and the Internal Service Funds.

Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

(e) Loans Receivable

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issues loans to qualified applicants. 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, 2007, it was determined that $414.5 million of the $478.7 million loan portfolio is not expected to be ultimately collected.

For the purposes of the fund financial statements, the governmental funds expenditures relating to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred credit account. For purposes of the government-wide financial statements, long-term loans are not offset by deferred credit accounts.

(f) Inventory

Inventory recorded in the proprietary funds primarily consists of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. The governmental fund types also use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired.

(g) Redevelopment Agency Property Held for Resale

Property held for resale are both residential and commercial and are recorded as an asset at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of a property based on current intended use. Property held for sale may, during the period it is held by the Agency, generate rental income, which is recognized as it becomes due and is considered collectible.

(h) Capital Assets

Capital assets, which include land, facilities and improvements, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 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 easements 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
Easements	20

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

(i) Accrued Vacation and Sick Leave Pay

Vacation pay, which may be accumulated up to ten weeks depending on an employee's length of service, is payable upon termination.

Sick leave may be accumulated up to six months, except for Local 21 members, who are all entitled to accumulate all unused sick leave. Unused amounts accumulated prior to December 6, 1978 are vested and payable upon termination of employment by retirement or disability caused by industrial accident or death. Effective July 1, 2002, the City established a pilot "Wellness Incentive Program" (the Program) to promote workforce attendance. The Program was initially negotiated as part of the July 1, 2001 to June 30, 2004 labor contract between the City and forty-one labor organizations, representing about 48% of the City's workforce. It is described in several Memorandums of Understanding (MOUs) dated since July 1, 2001, between the City and the affected labor organizations. Under the terms of these MOUs and the labor contracts, the Program is in effect from July 1, 2002 and begins to sunset by June 30, 2009.

This Program provides:

> Effective July 1, 2002, any full-time employee leaving the employment of the City upon service or disability retirement may receive payment for a portion of sick leave earned but unused at the time of separation. The amount of this payment shall be equal to 2.5% of sick leave balances earned but unused at the time of separation times the number of whole years of continuous employment times an employee's salary rate, exclusive of premiums of supplements, at the time of separation. Vested sick leave hours as described by Civil Service Commission rules, shall not be included in this computation.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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

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

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

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Interest accreted on capital appreciation bonds is reported as accrued interest payable in the government-wide and proprietary fund financial statements.

(k) Fund Equity

Reservations of Fund Equity

Reservations of fund balances of the governmental funds indicate that portion of fund equity which is not available for appropriation for expenditure or is legally segregated for a specific future use. Following is a brief description of the nature of certain reserves.

Reserve for rainy day - The City's Charter requires that the City set aside funds into a reserve account in years in which revenue growth exceeds five percent compared to the year before. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent.

Reserve for assets not available for appropriation - Certain assets, primarily cash and investments outside City Treasury and deferred charges, do not represent expendable available financial resources. Therefore, a portion of fund equity is reserved to offset the balance of these assets.

Reserve for debt service - The fund balance of the debt service funds is reserved for the payment of debt service in the subsequent year.

Reserves for encumbrances - Encumbrances are recorded as reservations of fund balances because they do not constitute expenditures or liabilities. In certain other governmental funds, this accounting treatment results in a deficit unreserved fund balance. This deficiency is carried forward to the next fiscal year where it is applied against estimated revenues in the year the commitments are expended.

Reserve for appropriation carryforward - At the end of the fiscal year, certain budgeted expenditures are authorized to be carried over and expended in the ensuing year. A reserve of fund balance is established in the amount of these budget authorizations.

Reserve for subsequent years' budgets - A portion of fund balance is reserved for subsequent years' budgets. This balance includes the reserve required by the City's Administrative Code for the budget incentive program for the purpose of making additional funds available for items and services that will improve the efficient operations of departments.

Restricted Net Assets

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

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

- *Restricted Net Assets* - This category represents net assets that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2007, the government-wide statement of net assets reported restricted assets of $430.8 million in governmental activities and $349.1 million in business-type activities. For governmental activities, $10.4 million is restricted by enabling legislation.

- *Unrestricted Net Assets* - This category represents net assets of the City, not restricted for any project or other purpose.

Designations of Fund Equity

Designations of fund balances (note 4) indicate that portion of fund balance that is not available for appropriation based on management's plans for future use of the funds. Following is a brief description of the nature of the designation as of June 30, 2007.

Designation for litigation and contingencies - This designation represents management's estimate of anticipated legal settlements or contingencies to be paid in the subsequent fiscal year.

Deficit Net Assets/Fund Balances

The Moscone Convention Center Fund had a $4.3 million deficit as of June 30, 2007. The deficit will be covered as hotel tax revenues are realized.

The Telecommunications and Information Internal Service Fund had a $1.4 million deficit in total net assets as of June 30, 2007. The deficit of total net assets relates to operations and is expected to be reduced in future years through anticipated rate increases or reductions in operating expenses. The rates are reviewed and updated annually.

(l) Interfund Transfers

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

(1) 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.

(2) Reimbursements for expenditures, initially made by one fund which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

(m) Refunding of Debt

Gains or losses occurring from advance refundings, completed subsequent to June 30, 1993, are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities, they are deferred and amortized into expense if they occurred subsequent to June 30, 2000.

(n) 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.

(o) 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.

(p) Reclassifications

Certain amounts presented as 2005-2006 Summarized Comparative Financial Information in the basic financial statements have been reclassified for comparative purposes to conform to the presentation in the 2006-2007 basic financial statements.

(q) Effects of New Pronouncements

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

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. This statement is effective for the City's fiscal year ending June 30, 2008.

In December 2006, GASB issued Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement issued a standard that will require state and local governments to provide the public with better information about the financial impact of environmental cleanups. This statement is effective for the City's fiscal year ending June 30, 2009.

(r) Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds, and amounts restricted for future capital projects. In addition, certain grant proceeds are restricted by the granting agency.

(3) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(a) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Total fund balances of the City's governmental funds, $1,251,939, differ from net assets of governmental activities, $1,871,011, reported in the statement of net assets. The difference primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental funds balance sheets.

Balance Sheet/Statement of Net Assets (in thousands)

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassi-fications and Eliminations	Statement of Net Assets Totals
Assets					
Deposits and investments with City Treasury	$ 1,338,831	$ -	$ 11,029	$ -	$ 1,349,860
Deposits and investments outside City Treasury	51,743	-	58,127	-	109,870
Receivables, net:					
Property taxes and penalties	59,678	-	-	-	59,678
Other local taxes	186,183	-	-	-	186,183
Federal and state grants and subventions	161,667	-	-	-	161,667
Charges for services	30,596	-	-	-	30,596
Interest and other	30,387	-	1,133	-	31,520
Due from other funds	46,759	-	-	(46,759)	-
Due from/Advance to component unit	6,665	-	-	-	6,665
Loans receivable, net	64,504	-	-	-	64,504
Capital assets, net	-	2,895,233	5,536	-	2,900,769
Deferred charges and other assets	9,612	17,165	7,059	-	33,836
Total assets	$ 1,986,625	$ 2,912,398	$ 82,884	$ (46,759)	$ 4,935,148
Liabilities					
Accounts payable	$ 181,575	$ -	$ 10,077	$ -	$ 191,652
Accrued payroll	69,122	-	1,773	-	70,895
Accrued vacation and sick leave pay	-	130,374	3,839	-	134,213
Accrued workers' compensation	-	193,935	754	-	194,689
Estimated claims payable	-	114,431	-	-	114,431
Accrued interest payable	-	7,033	1,748	-	8,781
Deferred tax, grant and subvention revenues	67,021	(62,464)	-	-	4,557
Due to other funds/internal balances	51,235	-	3,663	(46,759)	8,139
Deferred credits and other liabilities	215,733	(93,865)	1,758	-	123,626
Bonds, loans, capital leases, and other payables	150,000	1,812,858	250,296	-	2,213,154
Total liabilities	734,686	2,102,302	273,908	(46,759)	3,064,137
Fund balances/net assets					
Total fund balances/net assets	1,251,939	810,096	(191,024)	-	1,871,011
Total liabilities and fund balances/net assets	$ 1,986,625	$ 2,912,398	$ 82,884	$ (46,759)	$ 4,935,148

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

Cost of capital assets	$ 3,650,276
Accumulated depreciation	(755,043)
	$ 2,895,233

Bond issuance costs are expended in governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets. $ 17,165

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued vacation and sick leave pay	$ (130,374)
Accrued workers' compensation	(193,935)
Estimated claims payable	(114,431)
Bonds, loans, capital leases, and other payables	(1,812,858)
Deferred credits and other liabilities	(1,874)
	$ (2,253,472)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid. $ (7,033)

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

Deferred tax, grant and subvention revenue	$ 62,464
Deferred credits and other liabilities	95,739
	$ 158,203

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

Net deficit before adjustments	(275)
Adjustments for internal balances with San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(251,197)
Deferred charges and other assets	3,671
Deferred credits and other liabilities	56,777
	$ (191,024)

In addition, intrafund receivables and payables among various internal service funds of $0.1 million are eliminated.

(b) Explanation of certain differences between the governmental fund 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, ($63,645), differs from the change in net assets for governmental activities $76,393, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

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

	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	$ 1,107,864	$ 19,128	$ -	$ -	$ -	$ 1,126,992
Business taxes	337,592	-	-	-	-	337,592
Other local taxes	668,824	-	-	-	-	668,824
Licenses, permits and franchises	27,428	3,313	-	-	-	30,741
Fines, forfeitures and penalties	8,871	-	-	-	-	8,871
Interest and investment income	83,846	330	-	2,057	-	86,233
Rents and concessions	52,493	257	-	-	-	52,750
Intergovernmental:						
Federal	381,688	-	-	-	-	381,688
State	582,666	1,883	-	-	-	584,549
Other	15,689	-	-	-	-	15,689
Charges for services	273,057	-	-	-	-	273,057
Other revenues	44,084	-	1,841	-	-	45,925
Total revenues	3,584,102	24,911	1,841	2,057	-	3,612,911
Expenditures/Expenses						
Expenditures:						
Public protection	865,556	3,892	5,022	(4,089)	-	870,381
Public works, transportation and commerce	280,907	23,503	15,531	(10,846)	-	309,095
Human welfare and neighborhood development	740,171	10,364	499	-	-	751,034
Community health	509,844	5,560	924	(7)	-	516,321
Culture and recreation	286,135	9,414	25,578	(10,880)	(19,700)	290,547
General administration and finance	167,505	6,681	12,639	(864)	-	185,961
General City responsibilities	57,532	10,602	-	(1,041)	855	67,948
Debt service:						
Principal retirement	98,169	-	-	-	(98,169)	-
Interest and fiscal charges	71,266	-	-	9,565	13,229	94,060
Bond issuance costs	3,683	-	-	-	(3,683)	-
Capital outlay	283,370	-	(283,370)	-	-	-
Total expenditures/expenses	3,364,138	70,016	(223,177)	(18,162)	(107,468)	3,085,347
Other financing sources (uses)/changes in net assets						
Net transfers (to) from other funds	(451,549)	-	(172)	550	-	(451,171)
Issuance of bonds and loans:						
Face value of bonds issued	312,955	-	-	-	(312,955)	-
Face value of loans issued	141	-	-	-	(141)	-
Premium on issuance of bonds	3,521	-	-	-	(3,521)	-
Discount on issuance of bonds	(1,856)	-	-	-	1,856	-
Payment to escrow for refunded debt	(159,610)	-	-	-	159,610	-
Other financing sources - capital leases	12,789	-	-	(10,007)	(2,782)	-
Total other financing sources (uses)/changes in net assets	(283,609)	-	(172)	(9,457)	(157,933)	(451,171)
Net change for the year	$ (63,645)	$ (45,105)	$ 224,846	$ 10,762	$ (50,465)	$ 76,393

(3) Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as available revenues in the governmental funds.	$ 19,128
Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities.	5,783
	$ 24,911
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net assets were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the decrease in long-term liabilities exceeded expenses reported in the statement of activities that do not require the use of current financial resources.	$ (39,293)
Some expenditures reported in the governmental funds pertain to the establishment of deferred credits on long-term loans since the loans are not considered "available" to pay current period expenditures. The deferred credits are not reported in the statement of net assets and, therefore, the related expenditures are not reported in the statement of activities.	(30,723)
	$ (70,016)

(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year, the loss on disposal of capital assets and capital asset acquired or funded by donation and other revenues.

Capital expenditures	$ 290,619
Depreciation expense	(67,400)
Loss on disposal of capital assets	(42)
Transfer of asset to enterprise fund	(172)
Capital asset acquired by donation or funded by other revenues	1,841
Difference	$ 224,846

(5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.	$ 10,762

(6) Lease payments on the Moscone Convention Center (note 8) are reported as a culture and recreation expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liability in the statement of net assets and do not result in an expense in the statement of activities. The City's capital lease obligation was reduced because principal payments were made to lessee.

Total property rent payments	$ 19,700

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

Bond issuance costs	$ 3,683
Amortization of bond issuance costs	(855)
Difference	$ 2,828

Bond premiums and discounts are expended in the governmental funds when the bonds are issued, and are capitalized in the statement of net assets. This is the amount of premiums capitalized during the current period	$ (1,665)

Repayment of bond principal is reported as expenditures in governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in expenses in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders.

Principal payments made	$ 98,169
Payments to escrow for refunded debt	159,610
	$ 257,779

Bond and loan proceeds and capital leases are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and do not affect the statement of activities. Proceeds were received from:

General obligation bonds	(2,000)
Refunding general obligation bonds	(157,255)
Certificate of participation	(153,700)
Capital lease for equipment	(2,782)
Loans	(141)
	(315,878)
	$ (58,099)

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, notes payable and capital leases, (2) amortization of bond discounts, premiums and refunding losses which are not expended within the fund statements, and (3) additional interest expense was recognized on the accrual of an arbitrage rebate liability which will not be recognized in the governmental funds until the liability is due and payable.

Increase in accrued interest	$ (574)
Interest payment on capital lease obligations on the Moscone Convention Center	(12,357)
Amortization of bond premiums, discounts and refunding losses	673
Increase in arbitrage rebate liability	(971)
	$ (13,229)

(4) BUDGETARY RESULTS RECONCILED TO RESULTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Budgetary Results Reconciliation

The budgetary process is based upon accounting for certain transactions on a basis other than generally accepted accounting principles (GAAP). The results of operations are presented in the budget-to-actual comparison statement in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

The major differences between the Budget basis "actual" and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (note 6).

The fund balance of the General Fund as of June 30, 2007 on a Budget basis is reconciled to the fund balance on a GAAP basis as follows (in thousands):

	General Fund
Fund Balance - Budget Basis	$ 563,435
Unrealized Gains/(Losses) on Investments	(376)
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis	(30,940)
Repayment from Redevelopment Agency for Jessie Square Garage	(3,323)
Reserved for Assets Not Available for Appropriation	12,665
Fund Balance - GAAP Basis	$ 541,461

General Fund Budget basis fund balance at June 30, 2007 is composed of the following (in thousands):

Reserved for Rainy Day - Economic Stabilization Reserve	$ 117,556	
Reserved for Rainy Day - One-Time Spending Account	16,066	
Reserved for Encumbrances	60,948	
Reserved for Appropriation Carryforward	161,128	
Reserved for Subsequent Years' Budgets:		
Baseline Appropriation Funding Mandates	2,891	
Budget Savings Incentive Program	10,540	
Litigation	6,824	
Salaries and benefits costs (MOU)	11,806	
Total Reserved Fund Balance		$ 387,759
Designated for Litigation and Contingencies	43,794	
Unreserved, Undesignated Fund Balance - Available for Appropriation	131,882	
Total Unreserved Amounts		175,676
Fund Balance, June 30, 2007 - Budget basis		$ 563,435

Of the $131.9 million unreserved, undesignated fund balance – available for appropriation, $118.9 million has been subsequently appropriated as part of the General Fund budget for use in fiscal year 2007-2008.

(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

Total City cash, deposits and investments, at fair value, are as follows (dollars in thousands):

	Primary Government				Component Units
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	
Deposits and investments with City Treasury	$ 1,349,860 [1]	$ 809,548	$ 776,629 [2]	$ 2,936,037	$ 1,697
Deposits and investments outside City Treasury	109,870 [3]	11,351	17,901,793	18,023,014	234,887
Restricted assets:					
Deposits and investments with City Treasury	-	512,631	-	512,631	-
Deposits and investments outside City Treasury	-	298,139	-	298,139	99,795
Invested securities lending collateral	-	-	2,220,679	2,220,679	-
Total deposits and investments	$ 1,459,730	$ 1,631,669	$ 20,899,101	$ 23,990,500	$ 336,379
Cash and deposits	$ (116,792)	$ 16,524	$ 70,495	$ (29,773)	$ 49,233
Investments	1,576,522	1,615,145	20,828,606	24,020,273	287,146
Total deposits and investments	$ 1,459,730	$ 1,631,669	$ 20,899,101	$ 23,990,500	$ 336,379

[1] Includes deposits and investments with the City Treasury of total governmental funds ($1,338,831) and internal service funds ($11,029).

[2] Includes deposits and investments with the City Treasury of pension and other employee benefit trust funds ($70,167), investment trust fund ($645,568), and agency funds ($60,894).

[3] Includes deposits and investments outside the City Treasury of total governmental funds ($51,743) and internal service funds ($58,127).

(b) Cash and Deposits

The City had cash and deposits at June 30, 2007, as follows (in thousands):

	Primary Government						Component Units	
	Governmental Activities		Business-type Activities		Fiduciary Funds			
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Cash on hand	$ 375	$ -	$ 1,244	$ -	$ -	$ -	$ 1	$ -
Federally insured deposits	600	600	280	280	100	100	200	200
Collateralized deposits*	(118,249)	40,090	160	150	19,608	19,608	49,032	52,757
Uninsured and uncollateralized	482	482	14,840	14,840	50,787	50,787	-	-
	$ (116,792)	$ 41,172	$ 16,524	$ 15,270	$ 70,495	$ 70,495	$ 49,233	$ 52,957

* Under the City's cash management policy, investments are converted to cash as checks are presented for payment. At June 30, 2007, the carrying amount of collateralized deposits has been reduced by the amount of outstanding checks and other distribution accounts of approximately $161.3 million. Of the $161.3 million of outstanding checks, $42.8 million relates to the San Francisco Unified School District which has been reflected in an investment trust fund.

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 by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. In addition, the City's investment policy states that mortgage-backed collateral will not be accepted. As of June 30, 2007, $14.8 million and $50.8 million of the business-type activities and the Retirement System's bank balances, respectively, were exposed to custodial credit risk by not being insured or collateralized.

(c) Investment Policies

Cash and Cash Equivalents

The City's cash and cash equivalents include all highly liquid investments and are considered to be cash on hand, restricted assets demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Treasurer's Pool

The City's investment policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, 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 yield. The City has established a Treasury Oversight Committee (Oversight Committee), comprised of various City officials and representatives of agencies with large cash balances, 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 a comprehensive investment report to the members of the Oversight Committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

Although the California Government Code and the City's investment policy do not limit the amount of City funds that may be invested in treasury bills and treasury notes, purchases of treasury bonds are restricted to a maximum of five percent of the total portfolio at the time of purchase. Further, the California Government Code does not limit the amount of City funds that may be invested in federal agency instruments. However, the City's investment policy requires that investments in federal agencies should neither exceed 60 percent of the total portfolio at the time of purchase nor have a weighted average maturity in excess of 270 days. If it exceeds 270 days, the total should not exceed 30 percent of the total par value of the portfolio. The investment policy also limits each type of agency instrument.

The City's investment policy also limits the purchase of negotiable certificates of deposit to the five largest domestic commercial banks that have demonstrated profitability in their most recent audited financial statements at the time of purchase. In addition, the investment policy requires that public time deposits be made only at approved financial institutions with at least one full service branch within the geographical boundaries of the City, and that they yield a minimum of 0.125% higher than equal maturity U.S. Treasury instruments. The investment policy restricts exposure to $100,000 for all savings institutions and requires that each deposit be fully guaranteed by the Federal Deposit Insurance Corporation. The investment policy also requires that commercial bank deposits be made on a

competitive basis with risk exposure based on financial statements and related information gathered on each individual bank.

Also, the California State Government Code requires that the Treasurer purchase only domestic commercial paper with maturities not to exceed 270 days and that the issuer must be rated in the highest ranking by at least one of the national rating agencies. However, the Treasurer's investment policy is more restrictive in that it requires that the Treasurer purchase only domestic commercial paper with maturities not to exceed 180 days.

The table below identifies the investment types that are authorized for the City, along with the related interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills	N/A	None	None
U.S. Treasury Notes	N/A	None	None
U.S. Treasury Bonds	N/A	5%	None
U.S. Agency Securities	N/A	60%	None
Commercial Paper Discounts	180 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Public Time Deposit	1 year	None	None
Public Demand Accounts	N/A	None	None
Bankers Acceptances	180 days	40%	30%
Repurchase Agreements	30 days	None	None
Reverse Repurchase Agreements	45 days	None	$75 million

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.

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

San Francisco Redevelopment Agency

The investment policy of the Redevelopment Agency is governed by Article 2 of the California Government Code (Code). Investments are restricted to certain types of instruments and certain of these instruments are only allowed within limits. The Code permits repurchase agreements, but reverse repurchase agreements require the prior approval of the Agency Commission. The Agency does not participate in reverse repurchase agreements or other high-risk investments as defined by the Agency's investment policy. It is the Agency's intention to hold investments until maturity, unless earlier liquidation would result in an investment gain.

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

(d) *Investment Risks*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The following schedule indicates the interest rate risk of the City's investments as of June 30, 2007 (in thousands). The Employees' Retirement System's interest rate risk information begins on page 68.

		Investment Maturities			
	Fair Value	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
Primary Government:					
Investments in City Treasury:					
U.S. Treasury Bills	$ 24,405	$ 24,405	$ -	$ -	$ -
U.S. Treasury Notes	613,042	538,420	74,622	-	-
U.S. Agencies - Discount	1,915,967	1,915,967	-	-	-
Commercial paper	591,942	591,942	-	-	-
Negotiable certificates of deposits	379,879	379,879	-	-	-
Public time deposits	48,494	48,494	-	-	-
Less: Treasure Island Development Authority					
Investments with City Treasury	(1,697)	(1,697)	-	-	-
Subtotal investments in City Treasury	3,572,032	$ 3,497,410	$ 74,622	$ -	$ -
Investments Outside City Treasury:					
(Governmental and Business-Type)					
U.S. Treasury Notes	1,933	$ -	$ 1,933	$ -	$ -
U.S. Treasury Bills	13,906	13,906	-	-	-
U.S. Agencies - Coupon	17,905	5,484	12,421	-	-
U.S. Agencies - Discount	210,303	210,303	-	-	-
Money market mutual funds	150,800	155,068	-	-	-
Equity securities	780	780	-	-	-
Commercial paper	756	756	-	-	-
Subtotal investments outside City Treasury	396,383	$ 386,297	$ 14,354	$ -	$ -
Employees' Retirement System investments	20,051,858				
Total Primary Government	24,020,273				
Component Units:					
Redevelopment Agency:					
U.S. Agencies - Coupon	73,831	$ 43,245	$ 30,586	$ -	$ -
U.S. Agencies - Discount	15,743	15,743	-	-	-
Bankers' acceptances	12,591	12,591	-	-	-
Commercial paper	8,527	8,527	-	-	-
Certificate of deposit	5,000	5,000	-	-	-
Repurchase agreements	1,047	1,047	-	-	-
State Local Agency Investment Fund	62,994	62,994	-	-	-
Money market mutual funds	55,637	55,637	-	-	-
Guaranteed investment contracts	50,079	-	27,282	-	22,797
Subtotal Redevelopment Agency	285,449	$ 204,784	$ 57,868	$ -	$ 22,797
Treasure Island Development Authority:					
Investments with City Treasury	1,697	$ 1,697	$ -	$ -	$ -
Subtotal Treasure Island Development Authority	1,697	$ 1,697	$ -	$ -	$ -
Total Component Units	287,146				
Total Investments	$ 24,307,419				

One of the ways that the Treasurer manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. All security transactions including collateral for repurchase agreements, entered into by the Treasurer are conducted on a deliver-versus-payment basis pursuant to approved custodial safekeeping agreements. Securities are held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

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

- The maximum maturity of commercial paper is 180 days. Investment in commercial paper will comprise not more than 30% of the Agency's portfolio if average maturity is no more than 31 days or 15% if average maturity is more than 31 days.
- The maximum maturity of corporate notes is five years. Investment in corporate notes may not exceed 15% of the Agency's portfolio.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by the California Government Code and the City's investment policy and the actual rating as of June 30, 2007 for each investment type in the City's Treasury.

Investment Type	Minimum Legal Rating	Standard & Poor's Rating	Total Investment Portfolio
U.S. Treasury Bills	N/A	A-1	1%
U.S. Treasury Notes	N/A	A-1	17%
U.S. Agencies	N/A	A-1	53%
Commercial Paper	A-1	A-1	17%
Negotiable Certificates of Deposits	N/A	A-1	12%

As a means of limiting its exposure to credit risk, the Agency's investment policy limits investments to high-quality securities with an investment grade of A or better, and maintaining a portfolio diversified by type and issuer.

Investment Type	Credit Ratings	Total Investment Portfolio
U.S. Agencies - Coupon	AAA	26%
U.S. Agencies - Discount	AAA	5%
Commercial paper	A-1/P-1+	3%
State Local Agency Investment Fund	Not rated	22%
Money market mutual funds	AAAm	20%
Guaranteed investment contracts	AA or Higher	18%
Bankers acceptances	Not rated	4%
Certificates of deposit	N/A	2%

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name.

The Agency does not have a formal investment policy for custodial credit risk for investments. As of June 30, 2007, $1 million of the Agency's investments are uninsured and unregistered.

Concentration of Credit Risk

The City diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name. U.S. Treasury and Agency securities are not subject to single issuer limitation. More than 5 percent of the City's investments with the City Treasurer are in the Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, and the Federal National Mortgage Association. These investments represent 19 percent, 15 percent, and 19 percent, respectively, of the City's investments in U.S. Agencies. The City's investments in commercial paper are with Bank of America, JP Morgan Chase & Co., and Union Bank, with Bank of America representing 10 percent of the total 17 percent investment in commercial paper. The City's investments in negotiable certificates of deposit are all with Bank of America.

In addition, 52 percent of Airport's investments with its trustees are in Federal Home Loan Mortgage Corporation and 43 percent in Federal National Mortgage Association. The Finance Corporation's investments with its trustee are held in Federal National Mortgage Association for 83 percent and in Federal Home Loan Bank for 17 percent.

(e) Treasurer's Pool

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2007 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants.........	$ 3,450,364
Equity of internal pool participants........................	2,804,181
Equity of external pool participants........................	646,183
Total equity...	$ 3,450,364
Statement of Changes in Net Assets	
Net assets at July 1, 2006..................................	$ 3,591,164
Net change in investments by pool participants........	(140,800)
Net assets at June 30, 2007................................	$ 3,450,364

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2007 (in thousands):

Types of Investment	Rates	Maturities	Par Value	Carrying Value
U.S. government securities................	2.75% - 5.07%	08/15/07-12/31/08	$ 640,000	$ 637,446
Federal agencies.............................	4.79% - 5.25%	07/02/07-03/31/08	1,979,000	1,915,967
Negotiable certificate of deposits........	5.24% - 5.32%	08/23/07-12/28/07	380,000	379,879
Commercial paper...........................	5.08% - 5.31%	07/02/07-10/09/07	603,000	591,942
Public time deposits........................	4.50% - 5.63%	07/16/06-06/07/08	50,200	48,495
			$ 3,652,200	3,573,729
Carrying amount of deposits in Treasurer's Pool..				(123,365)
Total cash and investments in Treasurer's Pool..				$ 3,450,364

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

(f) Retirement System Investments

The Retirement System's investments as of June 30, 2007 are summarized as follows (in thousands):

Fixed Income Investments:	
Short-term bills and notes	$ 1,522,713
Debt securities:	
U.S. Government and agencies	2,021,509
U.S. Corporate	1,861,859
International government	110,243
International corporate	165,235
Subtotal debt securities	4,158,846
Total fixed income investments	5,681,559
Equity securities:	
Domestic	4,958,204
International	3,877,612
Total equity securities	8,835,816
Real estate holdings	1,698,685
Venture capital	1,604,653
Foreign currency contracts, net	10,466
Investment in lending agent's short-term investment pool	2,220,679
Total Retirement System Investments	$ 20,051,858

Interest Rate Risk

The Retirement System does not have a specific policy to manage interest rate risk, but requires investment managers 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.

Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2007 (in thousands):

Investment Type	Fair Value	Less than 1 year	1-6 years	6-10 years	10+ years
Asset Backed Securities	$ 100,973	$ -	$ 47,195	$ 7,301	$ 46,477
Commercial Mortgage-Backed Securities	521,581	-	24,594	73,918	423,069
Corporate Bonds	532,746	32,898	160,762	212,501	126,585
Corporate Convertible Bonds	209,433	600	38,038	12,294	158,501
Government Agencies	184,844	-	21,036	62,507	101,301
Government Bonds	821,545	5,871	485,581	176,048	154,045
Government Mortgage-Backed Securities	234,650	-	-	3,225	231,425
Index Linked Government Bonds	42,448	-	3,920	14,219	24,309
Loans	95,838	-	53,612	42,226	-
Mortgages	175	-	-	175	-
Municipal/Provincial Bonds	13,515	-	5,233	8,282	-
Non-Government Backed Collateralized Mortgage Obligations	156,122	2,597	6,147	2,175	145,203
Short-term Bills and Notes	8,167	8,167	-	-	-
Total	$ 2,922,037	$ 50,133	$ 846,118	$ 614,871	$ 1,410,915

Credit Risk

During the year ended June 30, 2007, the Retirement Board approved a change to investment credit risk from 10% to 5% exposure in any single security; the fixed income investment managers are limited within their portfolios to no more than 5% exposure in any single security, with the exception of United States Treasury and government agencies. The following table illustrates the Retirement System's exposure to credit risk excluding obligations of the U.S. government and those explicitly guaranteed by the U.S. government as of June 30, 2007 (amounts in thousands):

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	C	Not Rated
Asset Backed Securities	$ 100,973	$ 51,581	$ -	$ -	$ 3,760	$ 6,131	$ 728	$ -	$ 38,773
Commercial Mortgage-Backed	521,581	104,944	-	-	19,629	32,609	21,290	767	342,342
Corporate Bonds	1,102,452	3,812	4,528	45,768	108,525	70,525	124,111	37,823	707,360
Corporate Convertible Bonds	209,433	-	4,610	26,320	35,743	23,239	12,833	3,666	103,022
Government Agencies	184,844	178,340	3,120	3,384	-	-	-	-	-
Government Bonds	94,777	20,833	-	6,985	18,674	13,329	3,200	470	31,286
Government Mortgage-Backed Securities	1,069,400	-	-	-	-	-	-	-	1,069,400
Index Linked Government Bonds	3,911	3,911	-	-	-	-	-	-	-
Mortgages	175	-	-	-	-	-	-	-	175
Municipal/Provincial Bonds	13,515	5,615	7,900	-	-	-	-	-	-
Loans	95,838	-	-	-	-	-	-	-	95,838
Unit Trust Bonds	43,987	-	-	-	-	-	-	-	43,987
Non-Government Backed Collateralized Mortgage Obligations	156,120	31,025	1,787	18,158	3,519	5,735	2,223	-	93,673
Other Fixed Income -Commingled Funds	68,844	-	-	-	-	-	-	-	68,844
Short-term bills and notes	8,167	-	-	-	-	-	-	-	8,167
Total	$ 3,674,017	$ 400,061	$ 21,945	$ 100,615	$ 189,850	$ 151,568	$ 164,385	$ 42,726	$ 2,602,867

The ratings are the lower of the ratings by Moody's Investors Service (Moody's) and Standard & Poor's (S&P). Investments not rated by either Moody's or S&P are shown as not rated in the above table.

Custodial Credit Risk

The Retirement System does not have a specific policy addressing custodial credit risk for investments, but it is the practice of the Retirement System that all investments are insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2007, $54.4 million of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System, and were held by the counterparty's trust department or agent but not in the Retirement System's name.

Cash received as securities lending collateral is invested in a securities lending collateral investment pool and is not exposed to custodial credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of investments. As of June 30, 2007, the Retirement System was subjected to foreign currency risk. To mitigate this risk, the Retirement System's investment policy allows international managers to enter into foreign currency exchange contracts limited to hedging currency exposure existing in the portfolio. The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments. The Retirement System's net exposure to foreign currency risk for fiscal year 2006-2007 is as follows (in thousands):

Currency	Cash	Equity	Fixed Income	Venture Capital	Swaps	Total
Argentine peso	$ -	$ -	$ 1,436	$ -	$ -	$ 1,436
Australian dollar	272,390	137,105	5,554	-	-	415,049
Brazilian real	7,611	30,569	4,939	-	17,488	60,607
British pound sterling	(13,437)	577,218	16,129	2,267	2,286	584,463
Canadian dollar	170,834	107,178	2,241	-	-	280,253
Chilean peso	5,548	-	-	-	-	5,548
Chinese yuan renminbi	105,296	-	-	-	-	105,296
Columbian peso	7,421	-	-	-	-	7,421
Czech koruna	11,584	15,705	-	-	-	27,289
Danish krone	1,436	21,330	-	-	-	22,766
Egyptian pound	(82)	12,322	-	-	2,740	14,980
Euro currency	(293,615)	1,111,568	13,929	161,548	-	993,430
Hong Kong dollar	(33,996)	138,602	-	-	-	104,606
Hungarian forint	7,018	24,798	4,568	-	-	36,384
Iceland krona	9,646	-	-	-	-	9,646
Indian rupee	10,216	-	2,199	-	-	12,415
Indonesian rupiah	1,895	3,189	1,413	-	-	6,497
Japanese yen	(105,818)	591,855	7,557	20,993	-	514,587
Kuwaiti dinar	1,098	-	-	-	-	1,098
Malaysian ringgit	8,826	22,210	3,393	-	2,329	36,758
Mexican peso	29,018	23,334	14,932	-	-	67,284
New Israeli shekel	1,830	7,141	-	-	-	8,971
New Taiwan dollar	20,149	766	-	-	-	20,915
New Zealand dollar	(55,497)	2,709	3,911	-	-	(48,877)
Nigerian naira	-	-	-	-	549	549
Norwegian krone	118,027	33,805	-	-	-	151,832
Peruvian nuevo sol	601	-	-	-	-	601
Philippine peso	4,546	989	-	-	-	5,535
Polish zloty	16,372	22,913	-	-	-	39,285
Russian ruble (new)	24,143	-	2,864	-	2,599	29,606
Singapore dollar	29,683	41,729	-	-	-	71,412
Slovak koruna	6,340	-	-	-	-	6,340
South African rand	11,947	30,960	-	-	-	42,907
South Korean won	7,416	132,917	-	-	-	140,333
Swedish krona	43,509	75,880	1,151	-	-	120,540
Swiss franc	65,301	208,111	-	-	-	273,412
Thai baht	-	15,154	-	-	-	15,154
Turkish lira	2,217	18,307	3,078	-	7,943	31,545
Total	$ 499,473	$ 3,408,364	$ 89,294	$ 184,808	$ 35,934	$ 4,217,873

Investments in forward currency contract investments are commitments to purchase or sell stated amounts of foreign currency. Changes in market value of open contracts are immediately recognized as gains or losses. The fair values of forward currency contracts are determined by quoted currency prices from national exchanges. As of June 30, 2007, the fair value of open contracts is summarized as follows (in thousands):

Purchase contracts	$ 9,939,724
Sales contracts	(9,929,258)
Net fair value	$ 10,466

The Retirement System utilized these contracts to hedge (or decrease) the currency risk of foreign investments, to increase investment exposure in foreign currencies beyond the amounts reported as international investment securities, or to settle trades. Additionally, contracts may be used to effectively cancel previous contracts. The impact on market risk of these contracts can be summarized as follows (in thousands):

Contracts used to hedge or to settle trades, net	$ (1,958,748)
Contracts used to increase investment exposure in a foreign currency or to settle trades, net	1,969,214
Net fair value	$ 10,466

Securities Lending

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Collateral cash is pledged at 102% and securities at 105% of the fair market value of domestic securities and non-domestic securities lent. There are no restrictions on the amount of securities that can be lent at one time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the said collateral.

The Retirement System lent $2.6 billion in securities and received collateral of $0.4 billion and $2.2 billion in securities and cash, respectively, from borrowers. The Retirement System's securities lending transactions as of June 30, 2007, are summarized in the following table (in thousands):

Security Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Non-Cash Collateral
Securities Loaned for Cash Collateral:			
International Equities	$ 597,707	$ 626,777	$ -
International Government Fixed	5,147	5,421	-
U.S. Agencies	211,666	215,666	-
U.S. Corporate Fixed	163,124	166,855	-
U.S. Equities	671,152	687,093	-
U.S. Government Fixed	508,822	518,867	-
Securities Loaned with Non-Cash Collateral:			
International Equities	303,724	-	319,919
International Government Fixed	33,971	-	35,688
International UK Gilt	991	-	1,046
U.S. Corporate Fixed	7,119	-	7,246
U.S. Equities	61,134	-	62,851
U.S. Government Fixed	12,008	-	12,263
Total	$ 2,576,565	$ 2,220,679	$ 439,013

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. As of June 30, 2007, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of rights in the collateral should the borrower of securities fail financially. In addition, the lending agent indemnifies the Retirement System against all borrower defaults.

(g) Supplemental disclosure of non-cash investing, capital and financing activities

San Francisco International Airport

In November 2006, the San Francisco International Airport (SFO) issued Second Series Revenue Refunding Bonds Issue 32 F/G/H. The $453 million were issued as fixed rate bonds and the proceeds were used to refund certain revenue bonds previously issued.

San Francisco Water Enterprise

During fiscal year 2006-2007, the Water Enterprise issued 2006 Water Revenue Refunding Bonds, Series C in the amount of $48.7 million for the purpose of refunding a portion of the outstanding 1996 Series A Bonds maturing on and after November 2007.

Other Non-Cash Transactions

The following represents the other non-cash transactions as of June 30, 2007 (in thousands):

	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water & Power	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Internal Service Funds	Total 2007
Donated inventory	$ -	$ -	$ -	$ 1,890	$ -	$ -	$ -	$ 1,890
Tenant Improvements	-	-	-	-	-	589	-	589
Acquisition of capital assets on accounts payable and capital leases	16,578	29,071	5,122	786	4,090	920	4,399	60,966
Land acquired through real property exchange	-	354	-	-	-	-	-	354
Total	$ 16,578	$ 29,425	$ 5,122	$ 2,676	$ 4,090	$ 1,509	$ 4,399	$ 63,799

(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 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 due 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 dates of the underlying transaction.

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 or on 1% of the sales price of the property on sales transactions or construction value added after the 1975-1976 valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise or be adjusted at the lesser of 2% per year or inflation.

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39 which set the approval threshold at 55% for school facilities-related bonds. These "override" taxes for debt service amounted to approximately $122 million for the year ended June 30, 2007.

Taxable valuation for the year ended June 30, 2007 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Redevelopment Agency) was approximately $117 billion, an increase of 9.5%. The secured tax rate was $1.135 per $100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: $0.65 for general government, $0.35 for other taxing entities including the San Francisco Unified School District, San Francisco Community College District, the Bay Area Air Quality Management District and the Bay Area Rapid Transit District, and also $0.135 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 2.44% and 3.57%, respectively, of the current year tax levy, for an average delinquency rate of 2.52% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100% of the secured property taxes billed but not yet collected by the County; in return, as the delinquent property taxes and associated penalties and interest are collected, the County 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, 2007 was $13.2 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, 2007, was as follows (in thousands):

Governmental Activities:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 143,640	$ 8,291	$ (14)	$ 151,917
Construction in progress	360,887	155,463	(190,522)	325,828
Total capital assets, not being depreciated	504,527	163,754	(190,536)	477,745
Capital assets, being depreciated:				
Facilities and improvements	2,364,110	268,947	(307)	2,632,750
Machinery and equipment	275,424	25,301	(3,050)	297,675
Infrastructure	255,260	27,541	-	282,801
Property held under lease	139	-	-	139
Total capital assets, being depreciated	2,894,933	321,789	(3,357)	3,213,365
Less accumulated depreciation for:				
Facilities and improvements	479,158	45,428	(135)	524,451
Machinery and equipment	230,642	16,496	(3,009)	244,129
Infrastructure	14,659	6,963	-	21,622
Property held under lease	139	-	-	139
Total accumulated depreciation	724,598	68,887	(3,144)	790,341
Total capital assets, being depreciated, net	2,170,335	252,902	(213)	2,423,024
Governmental activities capital assets, net	$ 2,674,862	$ 416,656	$ (190,749)	$ 2,900,769

Business-type Activities:

Capital asset activity of the business enterprises for the year ended June 30, 2007, was as follows (in thousands):

San Francisco International Airport

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 2,316	$ -	$ -	$ 2,316
Construction in progress	68,190	106,009	(105,584)	68,615
Total capital assets, not being depreciated	70,506	106,009	(105,584)	70,931
Capital assets, being depreciated:				
Facilities and improvements	4,817,171	103,743	(685)	4,920,229
Machinery and equipment	68,628	3,084	(8,473)	63,239
Easements	139,367	-	-	139,367
Total capital assets, being depreciated	5,025,166	106,827	(9,158)	5,122,835
Less accumulated depreciation for:				
Facilities and improvements	1,297,599	133,754	(458)	1,430,895
Machinery and equipment	61,293	2,098	(8,425)	54,966
Easements	60,009	6,955	-	66,964
Total accumulated depreciation	1,418,901	142,807	(8,883)	1,552,825
Total capital assets, being depreciated, net	3,606,265	(35,980)	(275)	3,570,010
Capital assets, net	$ 3,676,771	$ 70,029	$ (105,859)	$ 3,640,941

San Francisco Water Enterprise

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 17,929	$ 354	$ (6)	$ 18,277
Construction in progress	199,655	216,788	(105,345)	311,098
Total capital assets, not being depreciated	217,584	217,142	(105,351)	329,375
Capital assets, being depreciated:				
Facilities and improvements	1,074,491	92,636	(1,054)	1,166,073
Machinery and equipment	116,893	5,977	(286)	122,584
Total capital assets, being depreciated	1,191,384	98,613	(1,340)	1,288,657
Less accumulated depreciation for:				
Facilities and improvements	424,816	35,218	(1,053)	458,981
Machinery and equipment	76,398	8,677	(279)	84,796
Total accumulated depreciation	501,214	43,895	(1,332)	543,777
Total capital assets, being depreciated, net	690,170	54,718	(8)	744,880
Capital assets, net	$ 907,754	$ 271,860	$ (105,359)	$ 1,074,255

Hetch Hetchy Water and Power

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 4,215	$ -	$ -	$ 4,215
Construction in progress	53,630	23,536	(18,041)	59,125
Total capital assets, not being depreciated	57,845	23,536	(18,041)	63,340
Capital assets, being depreciated:				
Facilities and improvements	452,785	11,872	-	464,657
Machinery and equipment	40,563	2,307	(106)	42,764
Total capital assets, being depreciated	493,348	14,179	(106)	507,421
Less accumulated depreciation for:				
Facilities and improvements	252,313	9,285	-	261,598
Machinery and equipment	28,807	1,634	(98)	30,343
Total accumulated depreciation	281,120	10,919	(98)	291,941
Total capital assets, being depreciated, net	212,228	3,260	(8)	215,480
Capital assets, net	$ 270,073	$ 26,796	$ (18,049)	$ 278,820

Municipal Transportation Agency

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 26,245	$ -	$ -	$ 26,245
Construction in progress	461,214	161,649	(325,427)	297,436
Total capital assets, not being depreciated	487,459	161,649	(325,427)	323,681
Capital assets, being depreciated:				
Facilities and improvements	387,423	18,910	(517)	405,816
Machinery and equipment	1,081,264	28,158	(10,102)	1,099,320
Infrastructure	719,066	284,128	-	1,003,194
Total capital assets, being depreciated	2,187,753	331,196	(10,619)	2,508,330
Less accumulated depreciation for:				
Facilities and improvements	161,796	8,890	-	170,686
Machinery and equipment	368,952	61,158	(8,917)	421,193
Infrastructure	254,589	22,876	-	277,465
Total accumulated depreciation	785,337	92,924	(8,917)	869,344
Total capital assets, being depreciated, net	1,402,416	238,272	(1,702)	1,638,986
Capital assets, net	$ 1,889,875	$ 399,921	$ (327,129)	$ 1,962,667

San Francisco General Hospital Medical Center

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 542	$ -	$ -	$ 542
Construction in progress	4,429	8,473	(7,182)	5,720
Total capital assets, not being depreciated	4,971	8,473	(7,182)	6,262
Capital assets, being depreciated:				
Facilities and improvements	130,798	3,361	-	134,159
Machinery and equipment	51,674	2,443	-	54,117
Total capital assets, being depreciated	182,472	5,804	-	188,276
Less accumulated depreciation for:				
Facilities and improvements	91,422	3,787	-	95,209
Machinery and equipment	42,052	3,045	-	45,097
Total accumulated depreciation	133,474	6,832	-	140,306
Total capital assets, being depreciated, net	48,998	(1,028)	-	47,970
Capital assets, net	$ 53,969	$ 7,445	$ (7,182)	$ 54,232

San Francisco Wastewater Enterprise

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 22,168	$ -	$ -	$ 22,168
Construction in progress	56,796	57,549	(71,489)	42,856
Total capital assets, not being depreciated	78,964	57,549	(71,489)	65,024
Capital assets, being depreciated:				
Facilities and improvements	1,957,165	61,777	-	2,018,942
Machinery and equipment	34,776	11,490	(42)	46,224
Total capital assets, being depreciated	1,991,941	73,267	(42)	2,065,166
Less accumulated depreciation for:				
Facilities and improvements	735,503	34,940	-	770,443
Machinery and equipment	22,575	1,743	(41)	24,277
Total accumulated depreciation	758,078	36,683	(41)	794,720
Total capital assets, being depreciated, net	1,233,863	36,584	(1)	1,270,446
Capital assets, net	$ 1,312,827	$ 94,133	$ (71,490)	$ 1,335,470

Port of San Francisco

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 120,454	$ 591	$ -	$ 121,045
Construction in progress	35,911	11,474	(13,423)	33,962
Total capital assets, not being depreciated	156,365	12,065	(13,423)	155,007
Capital assets, being depreciated:				
Facilities and improvements	282,503	13,107	-	295,610
Machinery and equipment	14,359	741	(185)	14,915
Total capital assets, being depreciated	296,862	13,848	(185)	310,525
Less accumulated depreciation for:				
Facilities and improvements	173,900	9,239	-	183,139
Machinery and equipment	9,203	1,013	(185)	10,031
Total accumulated depreciation	183,103	10,252	(185)	193,170
Total capital assets, being depreciated, net	113,759	3,596	-	117,355
Capital assets, net	$ 270,124	$ 15,661	$ (13,423)	$ 272,362

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

Laguna Honda Hospital

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 914	$ -	$ -	$ 914
Construction in progress	133,827	102,050	-	235,877
Total capital assets, not being depreciated	134,741	102,050	-	236,791
Capital assets, being depreciated:				
Facilities and improvements	28,107	-	-	28,107
Machinery and equipment	13,129	409	-	13,538
Property held under lease	2,845	-	-	2,845
Total capital assets, being depreciated	44,081	409	-	44,490
Less accumulated depreciation for:				
Facilities and improvements	23,550	727	-	24,277
Machinery and equipment	12,201	245	-	12,446
Property held under lease	238	123	-	361
Total accumulated depreciation	35,989	1,095	-	37,084
Total capital assets, being depreciated, net	8,092	(686)	-	7,406
Capital assets, net	$ 142,833	$ 101,364	$ -	$ 244,197

Other Fund – San Francisco Market Corporation

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, being depreciated:				
Facilities and improvements	$ 9,595	$ 43	$ -	$ 9,638
Machinery and equipment	55	1	-	56
Total capital assets, being depreciated	9,650	44	-	9,694
Less accumulated depreciation for:				
Facilities and improvements	4,808	273	-	5,081
Machinery and equipment	14	9	-	23
Total accumulated depreciation	4,822	282	-	5,104
Total capital assets, being depreciated, net	4,828	(238)	-	4,590
Capital assets, net	$ 4,828	$ (238)	$ -	$ 4,590

Total Business-type Activities

	Balance July 1, 2006	Increases*	Decreases*	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$ 194,783	$ 945	$ (6)	$ 195,722
Construction in progress	1,013,652	687,528	(646,491)	1,054,689
Total capital assets, not being depreciated	1,208,435	688,473	(646,497)	1,250,411
Capital assets, being depreciated:				
Facilities and improvements	9,140,038	305,449	(2,256)	9,443,231
Machinery and equipment	1,421,341	54,610	(19,194)	1,456,757
Infrastructure	719,066	284,128	-	1,003,194
Property held under lease	2,845	-	-	2,845
Easements	139,367	-	-	139,367
Total capital assets, being depreciated	11,422,657	644,187	(21,450)	12,045,394
Less accumulated depreciation for:				
Facilities and improvements	3,165,707	236,113	(1,511)	3,400,309
Machinery and equipment	621,495	79,622	(17,945)	683,172
Infrastructure	254,589	22,876	-	277,465
Property held under lease	238	123	-	361
Easements	60,009	6,955	-	66,964
Total accumulated depreciation	4,102,038	345,689	(19,456)	4,428,271
Total capital assets, being depreciated, net	7,320,619	298,498	(1,994)	7,617,123
Capital assets, net	$ 8,529,054	$ 986,971	$ (648,491)	$ 8,867,534

* The increases and decreases include transfers of categories of capital assets from properties held under lease to facilities and improvements.

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities	
Public protection	$ 9,458
Public works, transportation, and commerce	12,611
Human welfare and neighborhood development	503
Community health	948
Culture and recreation	27,605
General administration and finance	16,275
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis	1,487
Total depreciation expense - governmental activities	$ 68,887
Business-type activities:	
Airport	142,807
Water	43,895
Power	10,919
Transportation	92,924
Hospitals	7,927
Sewer	36,683
Port	10,252
Market	282
Total depreciation expense - business-type activities	$ 345,689

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 Water and Power (Hetch Hetchy), the Wastewater Enterprise, the Municipal Transportation Agency (MTA), Laguna Honda Hospital (LHH), and the Port of San Francisco (Port) that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of MTA, building and structures of LHH, and pier substructures of the Port and totaled $1.6 billion as of June 30, 2007. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled $4.5 million as of June 30, 2007.

In fiscal year 2006-2007, the Airport determined that the original estimates of the useful life of certain fixed assets were too short relative to their economic life. Based on a combined engineering and architectural reevaluation of certain Airport facilities and the 2006 Pavement Survey report, the useful lives of specific fixed assets with a total value of $742 million were extended an additional 5 to 30 years; these fixed assets include drainage, runways, taxiways, roadways, and buildings. Depreciation expenses related to these assets were $32.3 million prior to the adjustment; the adjusted depreciation expense aggregated $15.8 million, a net reduction in annual depreciation of $16.5 million.

During the fiscal year ended June 30, 2007, the City's enterprise funds incurred total interest expense and interest income of approximately $268 million and $85.7 million, respectively. Of these amounts, interest expense of approximately $16.6 million was capitalized, while no interest income was received as part of the cost of constructing proprietary capital assets.

During fiscal year ended June 30, 2007, the Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed $10.2 million, $4.6 million, and $0.7 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued. The amounts of the write-off were recognized as other operating expense in the accompanying financial statements.

Component Unit –Redevelopment Agency

Capital asset activity of the Redevelopment Agency for the year ended June 30, 2007 was as follows (in thousands):

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Property held under lease	$ 104,968	$ 6,504	$ -	$ 111,472
Construction in progress	14,997	-	-	14,997
Total capital assets, not being depreciated/amortized	119,965	6,504	-	126,469
Capital assets, being depreciated:				
Facilities and improvements	172,325	609	-	172,934
Machinery and equipment	8,068	-	-	8,068
Leasehold improvements	22,202	-	-	22,202
Total capital assets, being depreciated	202,595	609	-	203,204
Less accumulated depreciation and amortization for:				
Facilities and improvements	40,071	4,323	-	44,394
Machinery and equipment	7,668	115	-	7,783
Leasehold improvements	8,218	444	-	8,662
Total accumulated depreciation and amortization	55,957	4,882	-	60,839
Total capital assets, being depreciated, net	146,638	(4,273)	-	142,365
Redevelopment Agency capital assets, net	$ 266,603	$ 2,231	$ -	$ 268,834

(8) BONDS, LOANS, CAPITAL LEASES AND OTHER PAYABLES

Short-Term Obligations

The following is a summary of short-term obligations of the City as of June 30, 2007 (in thousands):

Type of Obligation	Final Maturity Date	Interest Rates	Amount
Governmental activities:			
Commercial paper	2007	3.35 to 3.66%	$ 150,000
Enterprise activities:			
Commercial paper			
San Francisco Wastewater Enterprise	2007	3.59 to 3.7%	$ 50,000

Changes in Short-Term Obligations

The changes in short-term obligations for governmental and enterprise activities for the year ended June 30, 2007, are as follows (in thousands):

	July 1, 2006	Additional Obligations	Current Maturities	June 30, 2007
Governmental activities:				
Commercial paper	$ 150,000	$ 150,000	$ (150,000)	$ 150,000
Governmental activities short-term obligations	$ 150,000	$ 150,000	$ (150,000)	$ 150,000
Enterprise activities:				
Commercial paper				
San Francisco Wastewater Enterprise	$ -	$ 100,000	$ (50,000)	$ 50,000
Business-type activities short-term obligations	$ -	$ 100,000	$ (50,000)	$ 50,000

San Francisco County Transportation Authority Commercial Paper Notes

In March 2004, the San Francisco County Transportation Authority (the Authority) authorized the issuance of an initial tranche of up to $50 million and in August 2004, the Authority authorized the second tranche of $100 million of a programmed $200 million aggregate principal amount of commercial paper notes (Limited Tax Bonds), Series A and B. The commercial paper notes are issued to provide an interim source of financing for the Authority's Proposition K Expenditure Plan until a permanent financing plan is finalized and implemented. Under this program, the Authority is able to issue commercial paper notes at prevailing interest rates not to exceed 12% per annum. The maximum maturity of the notes is 270 days. The principal amount of the commercial paper notes plus interest thereon is backed as to credit and liquidity by an irrevocable Letter of Credit (LOC), issued by Landesbank Baden-Württemberg, New York Branch in the amount up to $217.8 million. On July 12, 2005, the expiration date of the irrevocable LOC was extended from April 14, 2007 to December 29, 2015 through Authority Board Resolution 06-01. The commercial paper notes are secured by a first lien gross pledge of the Authority's sales tax. The principal and interest on the commercial paper notes is payable at each maturity.

As of June 30, 2007, $150 million in commercial paper notes was outstanding and maturing within 1 to 120 days after year-end with interest rates ranging from 3.35% to 3.66%.

San Francisco Wastewater Enterprise

The San Francisco Public Utilities Commission and Board of Supervisors have authorized the issuance of up to $150 million in commercial paper under the voter-approved 2002 Proposition E. The commercial paper program is supported by a letter of credit issued by BNP Paribas as of February 2007, and through the U.S. Bank Trust N.A., as the agent bank as of February 2007. For the year ended June 30, 2007, the

Wastewater Enterprise had $50 million in commercial paper notes outstanding with interest rates ranging from 3.59% to 3.7%.

Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2007 (in thousands):

GOVERNMENTAL ACTIVITIES

Type of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS (a):			
Affordable housing	2021	4.0 to 7.05%	$ 64,780
California Academy of Sciences	2025	3.0 to 5.25%	80,995
Laguna Honda Hospital	2030	3.25 to 5.0%*	299,000
Library	2025	2.5 to 5.0%	64,245
Museums	2019	4.625 to 4.875%	2,355
Parks and playgrounds	2024	2.4 to 5.25%	103,920
Schools	2023	2.4 to 5.125%	29,835
Seismic safety loan program	2026	5.69%	1,944
Steinhart Aquarium	2025	3.0 to 5.0%	27,175
Zoo facilities	2025	2.5 to 5.125%	13,500
Refunding	2020	3.5 to 5.5%	468,195
General obligation bonds - governmental activities			1,155,944
LEASE REVENUE BONDS:			
San Francisco Finance Corporation (b) & (e)	2030	2.2 to 5.5%**	249,550
Lease revenue bonds - governmental activities			249,550
OTHER LONG-TERM OBLIGATIONS:			
Certificates of participation (c) & (d)	2040	3.0 to 5.3%	420,620
Loans (c), (d) & (f)	2025	2.0 to 7.498%	11,640
Capital leases payable (c) & (f)	2025	2.5 to 7.05%	185,736
Settlement Obligation Bonds (d)	2011	2.4 to 3.05%	27,095
Accrued vacation and sick leave (d) & (f)			134,213
Accrued workers' compensation (d) & (f)			194,689
Estimated claims payable (d) & (f)			114,431
Other long-term obligations - governmental activities			1,088,424
DEFERRED AMOUNTS:			
Bond issuance premiums			26,997
Bond issuance discounts			(4,107)
Bond refunding			(10,321)
Deferred amounts			12,569
Governmental activities total long-term obligations			$ 2,506,487

Debt service payments are made from the following sources:

(a) Property tax recorded in the Debt Service Fund.
(b) Lease revenues from participating departments in the General, Special Revenue and Enterprise Funds.
(c) Revenues recorded in the Special Revenue Funds.
(d) Revenues recorded in the General Fund.
(e) Hotel taxes and other revenues recorded in the General and Special Revenue Funds.
(f) User-charge reimbursements from the General, Special Revenue and Enterprise Funds.

Internal Service Funds serve primarily the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the above amounts.

* Laguna Honda Hospital General Obligation Bonds Series 2005 A and Series 2005 I are fixed rate bonds. Series 2005 B, C and D are variable rate bonds that reset weekly. The remaining interest rates stated above are for Series 2005 A and Series 2005 I. The average interest rate for the variable rate bonds from issuance date of May 26, 2005 through June 30, 2007 was 3.14%. The rate at June 30, 2007 was 3.62%.

** Includes the Moscone Center West Expansion Project, which was financed with variable rate bonds that reset weekly. The average interest rate from issuance date of November 2, 2000 through June 30, 2007 was 2.05%. The rate at June 30, 2007 was 3.62%.

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds	2032	3.0 to 8.0%*	$ 3,952,300
San Francisco Water Enterprise:			
Revenue bonds	2036	3.125 to 6.25%	966,080
Accreted interest			3,155
Hetch Hetchy Water and Power:			
Notes, loans, and other payables	2010	3.0%	390
Municipal Transportation Agency:			
Parking and Traffic			
Revenue bonds	2020	4.0 to 5.0%	19,090
Lease revenue bonds	2022	3.875 to 5.5%	8,405
Capital leases	2008	2.50%	19
Notes, loans and other payables**	2010	3.0 to 5.25%	11,617
Downtown Parking - parking revenue refunding bonds	2018	4.0 to 5.375%	10,060
Ellis-O'Farrell - parking revenue refunding bonds	2017	3.5 to 4.7%	4,595
Japan Center Garage Corporation - notes, loans and other payables	2008	6.75%	90
Uptown Parking - revenue bonds	2031	4.5 to 6.0%	17,790
San Francisco General Hospital Medical Center:			
Capital leases	2011	4.25%	3,363
San Francisco Wastewater Enterprise:			
Revenue bonds	2025	3.0 to 5.25%	362,825
State of California - Revolving fund loans	2021	2.8 to 3.5%	102,438
Port of San Francisco:			
Revenue bonds	2010	2.25 to 4.0%	12,575
Notes, loans and other payables	2029	4.5%	3,195
Laguna Honda Hospital:			
Capital leases	2009	3.465%	1,117
Accrued vacation and sick leave			84,899
Accrued workers' compensation			146,439
Estimated claims payable			78,509
Deferred Amounts:			
Bond issuance premiums			95,437
Bond issuance discounts			(11,302)
Bond refunding			(116,291)
Business-type activities total long-term obligations			$ 5,756,795

* Includes Second Series Revenue Bonds Issue 31 A / E and 32 A / E, which were issued in an auction mode and Issue 33 initially issued as variable rate bonds in a weekly mode. The average interest rates on the Issue 31 A / E and 32 A / E were 3.557% and 3.527% respectively for the period July 1, 2006 through June 30, 2007. The average interest rate on the Issue 33 bonds from July 1, 2006 through June 30, 2007 was 3.557%.

** Includes an unamortized loan premium of $0.5 million for Parking and Traffic.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in their respective enterprise funds.

COMPONENT UNIT

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
SAN FRANCISCO REDEVELOPMENT AGENCY AND FINANCING AUTHORITY:			
Lease Revenue Bonds:			
Moscone Convention Center (a)	2025	2.5 to 7.05%	$ 127,499
Hotel Tax Revenue Bonds (b)	2026	4.4 to 6.75%	62,300
Financing Authority Bonds:			
Tax Allocation Revenue Bonds (c)	2037	2.0 to 8.3%	575,994
South Beach Harbor Variable Rate Refunding Bonds (d)	2017	Variable (3.73% at 6/30/07)	7,700
Less deferred amounts:			
Bond issuance premiums			7,908
Bond issuance discounts			(733)
Refunding loss			(3,729)
Sub-total			776,939
California Department of Boating and Waterways Loan (e)	2037	4.5%	7,999
Accreted interest payable			70,041
Accrued vacation and sick leave pay			2,544
Component unit total long-term obligations			$ 857,523

Debt service payments are made from the following sources:

(a) Hotel taxes and operating revenues recorded in the Convention Facilities Special Revenue Fund and existing debt service/escrow trust funds.
(b) Hotel taxes from hotels located in the Redevelopment Project Areas.
(c) Property taxes allocated to the Redevelopment Agency based on increased assessed valuations in project areas (note 12) and existing debt service/escrow trust funds.
(d) South Beach Harbor Project cash reserves, property tax increments and project revenues.
(e) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2007, the City's debt limit (3% of valuation subject to taxation) was $3.7 billion. The total amount of debt applicable to the debt limit was $1.1 billion. The resulting legal debt margin was $2.6 billion.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond and certificates of participation and has recognized an arbitrage liability of $1.9 million as of June 30, 2007. This arbitrage liability is reported in deferred credits and other liabilities in the governmental activities of the statement of net assets. The Finance Corporation has evaluated their lease revenue bonds and a liability of $0.4 million was reported in the deferred credits and other liabilities in the governmental activities and Internal Service Fund as of June 30, 2007. Each enterprise fund has performed a similar analysis of its debt, which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the enterprise funds has been

recorded as a liability in the respective fund. In addition, the Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities.

Assessment District

During June 1996, the City issued $1 million of Limited Obligation Improvement Bonds for the Bayshore Hester Assessment District No. 95-1. These bonds were issued pursuant to the Improvement Bond Act of 1915. The proceeds were used to finance the construction of a new public right-of-way. The bonds began to mature during the fiscal year ended June 30, 1999 and continue through 2026 bearing interest from 6.0% to 6.85%. These bonds do not represent obligations of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Accordingly, the debt has not been included in the basic financial statements. Assessments collected for repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the lots and parcels assessed within the Bayshore-Hester Assessment District and do not constitute a personal indebtedness of the respective owners of such lots and parcels.

Mortgage Revenue Bonds

In order to facilitate affordable housing, the City issues mortgage revenue bonds for the financing of multifamily rental housing and for below-market rate mortgage financing for first time homebuyers. These obligations are secured by the related mortgage indebtedness and are not obligations of the City. As of June 30, 2007, the aggregate outstanding obligation of such bonds was $85.1 million.

Changes in Long-Term Obligations

The changes in long-term obligations for governmental activities for the year ended June 30, 2007, are as follows (in thousands):

	July 1, 2006	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2007	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 1,232,205	$ 159,255	$ (235,516)	$ 1,155,944	$ 89,589
Lease revenue bonds	231,265	38,835	(20,550)	249,550	21,380
Certificates of participation	276,160	153,700	(9,240)	420,620	8,420
Settlement obligation bonds	32,955	-	(5,860)	27,095	6,510
Less deferred amounts:					
For issuance premiums	24,983	3,908	(1,894)	26,997	-
For issuance discounts	(2,341)	(1,856)	90	(4,107)	-
On refunding	(5,092)	(6,285)	1,056	(10,321)	-
Total bonds payable	1,790,135	347,557	(271,914)	1,865,778	125,899
Loans	12,377	141	(878)	11,640	933
Capital leases	190,279	8,805	(13,348)	185,736	17,040
Accrued vacation and sick leave pay	132,524	86,411	(84,722)	134,213	70,100
Accrued workers' compensation	202,481	28,038	(35,830)	194,689	38,963
Estimated claims payable	69,477	64,389	(19,435)	114,431	52,527
Governmental activities long-term obligations	$ 2,397,273	$ 535,341	$ (426,127)	$ 2,506,487	$ 305,462

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. At the year ended June 30, 2007, $250.1

million of lease revenue bonds, $0.2 million of capital leases, $3.8 million of accrued vacation and sick leave pay and $0.8 million of accrued workers' compensation are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2007, are as follows (in thousands):

	July 1, 2006	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2007	Amounts Due Within One Year
San Francisco International Airport					
Bonds payable:					
Revenue bonds	$ 4,048,006	$ 453,000	$ (548,706)	$ 3,952,300	$ 90,100
Less deferred amounts:					
For issuance premiums	16,476	35,888	(3,235)	49,129	-
For issuance discounts	(15,497)	-	4,195	(11,302)	-
On refunding	(66,761)	(20,817)	7,143	(80,435)	-
Total Bonds payable	3,982,224	468,071	(540,603)	3,909,692	90,100
Accrued vacation and sick leave pay	12,330	9,794	(9,289)	12,835	6,733
Accrued workers' compensation	4,952	1,878	(2,053)	4,777	1,141
Estimated claims payable	37	284	(281)	40	15
Long-term obligations	$ 3,999,543	$ 480,027	$ (552,226)	$ 3,927,344	$ 97,989
San Francisco Water Enterprise					
Bonds payable:					
Revenue bonds	$ 981,765	$ 48,730	$ (64,415)	$ 966,080	$ 19,170
Less deferred amounts:					
For issuance premiums	27,487	503	(1,078)	26,912	-
For issuance discounts	(1,268)	-	1,268	-	-
On refunding	(13,559)	(2,861)	1,032	(15,388)	-
Total bonds payable	994,425	46,372	(63,193)	977,604	19,170
Accreted interest payable	2,945	210	-	3,155	-
Accrued vacation and sick leave pay	10,395	8,146	(7,370)	11,171	5,761
Accrued workers' compensation	8,719	1,658	(2,031)	8,346	1,699
Estimated claims payable	5,800	4,518	(3,384)	6,934	1,652
Long-term obligations	$ 1,022,284	$ 60,904	$ (75,978)	$ 1,007,210	$ 28,282
Hetch Hetchy Water and Power					
Notes, loans, and other payables	$ 494	$ -	$ (104)	$ 390	$ 107
Accrued vacation and sick leave pay	2,142	1,445	(1,272)	2,315	1,276
Accrued workers' compensation	1,938	881	(633)	2,186	428
Estimated claims payable	4,999	2,718	(2,935)	4,782	1,658
Long-term obligations	$ 9,573	$ 5,044	$ (4,944)	$ 9,673	$ 3,469
Municipal Transportation Agency					
Bonds payable:					
Revenue bonds	$ 53,985	$ -	$ (2,450)	$ 51,535	$ 2,555
Lease revenue bonds	9,455	-	(1,050)	8,405	1,095
Less deferred amounts:					
For issuance premiums	908	-	(34)	874	-
Total bonds payable	64,348	-	(3,534)	60,814	3,650
Notes, loans, and other payables	16,244	-	(4,537)	11,707 *	4,520
Capital leases	57	-	(38)	19	19
Accrued vacation and sick leave pay	24,711	21,757	(19,958)	26,510	15,465
Accrued workers' compensation	106,280	4,371	(16,740)	93,911	20,423
Estimated claims payable	59,604	8,892	(11,554)	56,942	15,425
Long-term obligations	$ 271,244	$ 35,020	$ (56,361)	$ 249,903	$ 59,502

* Includes an unamortized loan premium of $0.5 million for Parking and Traffic.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2007, are as follows (in thousands) - continued:

	July 1, 2006	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2007	Amounts Due Within One Year
San Francisco General Hospital Medical Center					
Capital leases	$ 3,800	$ 636	$ (1,073)	$ 3,363	$ 1,183
Accrued vacation and sick leave pay	15,188	12,594	(11,596)	16,186	9,334
Accrued workers' compensation	20,714	4,431	(5,385)	19,760	3,713
Long-term obligations	$ 39,702	$ 17,661	$ (18,054)	$ 39,309	$ 14,230
San Francisco Wastewater Enterprise					
Bonds payable:					
Revenue bonds	$ 396,270	$ -	$ (33,445)	$ 362,825	$ 34,500
Less deferred amounts:					
For issuance premiums	19,375	-	(1,005)	18,370	-
On refunding	(21,670)	-	1,726	(19,944)	-
Total bonds payable	393,975	-	(32,724)	361,251	34,500
State of California - Revolving fund loans	118,868	-	(16,430)	102,438	13,337
Accrued vacation and sick leave pay	4,316	3,093	(2,679)	4,730	2,588
Accrued workers' compensation	4,173	735	(764)	4,144	804
Estimated claims payable	5,979	3,086	(354)	8,711	2,136
Long-term obligations	$ 527,311	$ 6,914	$ (52,951)	$ 481,274	$ 53,365
Port of San Francisco					
Bonds payable:					
Revenue bonds	$ 16,550	$ -	$ (3,975)	$ 12,575	$ 4,070
Less deferred amounts:					
For issuance premiums	227	-	(75)	152	-
On refunding	(786)	262	-	(524)	-
Total bonds payable	15,991	262	(4,050)	12,203	4,070
Notes, loans, and other payables	3,279	-	(84)	3,195	88
Accrued vacation and sick leave pay	1,779	1,684	(1,525)	1,938	1,083
Accrued workers' compensation	3,119	100	(472)	2,747	478
Estimated claims payable	1,364	162	(426)	1,100	600
Long-term obligations	$ 25,532	$ 2,208	$ (6,557)	$ 21,183	$ 6,319
Laguna Honda Hospital					
Capital leases	$ 1,665	$ -	$ (548)	$ 1,117	$ 519
Accrued vacation and sick leave pay	8,702	7,135	(6,623)	9,214	5,488
Accrued workers' compensation	11,759	1,661	(2,852)	10,568	2,143
Long-term obligations	$ 22,126	$ 8,796	$ (10,023)	$ 20,899	$ 8,150

A summary of the changes in long-term obligations for all enterprise funds for the year ended June 30, 2007, is as follows (in thousands):

	July 1, 2006	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2007	Amounts Due Within One Year
Total Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 5,496,576	$ 501,730	$ (652,991)	$ 5,345,315	$ 150,395
Lease revenue bonds	9,455	-	(1,050)	8,405	1,095
Less deferred amounts:					
For issuance premiums	64,473	36,391	(5,427)	95,437	-
For issuance discounts	(16,765)	-	5,463	(11,302)	-
On refunding	(102,776)	(23,416)	9,901	(116,291)	-
Total bonds payable	5,450,963	514,705	(644,104)	5,321,564	151,490
Accreted interest payable	2,945	210	-	3,155	-
State of California - Revolving fund loans	118,868	-	(16,430)	102,438	13,337
Notes, loans, and other payables	20,017	-	(4,725)	15,292	4,715
Capital leases	5,522	636	(1,659)	4,499	1,721
Accrued vacation and sick leave pay	79,563	65,648	(60,312)	84,899	47,728
Accrued workers' compensation	161,654	15,715	(30,930)	146,439	30,829
Estimated claims payable	77,783	19,660	(18,934)	78,509	21,486
Business-type activities long-term obligations	$ 5,917,315	$ 616,574	$ (777,094)	$ 5,756,795	$ 271,306

The changes in long term obligations for the component unit for the year ended June 30, 2007, are as follows (in thousands):

	July 1, 2006	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2007	Amounts Due Within One Year
Component Unit: San Francisco Redevelopment Agency					
Bonds payable:					
Revenue bonds	$ 708,343	$ 85,241	$ (27,791)	$ 765,793	$ 36,507
Refunding bonds	8,500	-	(800)	7,700	-
Less deferred amounts:					
For issuance premiums	8,604	-	(696)	7,908	-
For issuance discounts	(671)	(103)	41	(733)	-
On refunding	(4,043)	-	314	(3,729)	-
Total bonds payable	720,733	85,138	(28,932)	776,939	36,507
Accreted interest payable	74,151	9,465	(13,575)	70,041	9,749 (1)
Notes, loans, and other payables	8,000	-	(1)	7,999	7
Accrued vacation and sick leave pay	2,807	18	(281)	2,544	1,219
Component unit - long-term obligations	$ 805,691	$ 94,621	$ (42,789)	$ 857,523	$ 47,482

(1) This amount is included in accrued interest payable in the accompanying Statement of Net Assets.

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2007, for governmental activities are as follows (in thousands):

Governmental Activities (1) (2)

Fiscal Year Ending	General Obligation Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 89,589	$ 53,401	$ 21,380	$ 9,900	$ 15,863	$ 19,371	$ 126,832	$ 82,672
2009	95,303	49,211	21,605	9,147	18,191	20,199	135,099	78,557
2010	89,646	44,791	13,580	8,332	19,361	19,547	122,587	72,670
2011	91,310	40,463	11,675	7,802	20,087	18,811	123,072	67,076
2012	79,774	36,292	9,345	7,370	13,642	18,003	102,761	61,665
2013-2017	307,209	131,419	41,605	31,422	69,822	80,830	418,636	243,671
2018-2022	218,594	67,332	46,080	22,536	62,670	64,827	327,344	154,695
2023-2027	127,689	25,999	52,380	12,389	69,134	48,792	249,203	87,180
2028-2032	56,830	4,761	31,900	2,398	83,540	30,584	172,270	37,743
2033-2037	-	-	-	-	54,940	12,353	54,940	12,353
2038-2042	-	-	-	-	32,105	2,969	32,105	2,969
Total	$ 1,155,944	$ 453,669	$ 249,550	$ 111,296	$ 459,355	$ 336,286	$ 1,864,849	$ 901,251

(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) Includes the following variable rate demand notes, the Moscone Center Expansion Project Lease Revenue Bonds and Laguna Honda Hospital General Obligation Bonds. Currently, they bear interest at a weekly rate. The rate at June 30, 2007 was 3.62%, together with an ancillary fee of 0.242% and 0.255% for Moscone bonds and Laguna Honda bonds respectively, was used to project the interest payment in this table.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2007, for each enterprise fund is as follows (in thousands):

San Francisco International Airport (1)

Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 90,100	$ 182,596	$ -	$ -	$ 90,100	$ 182,596
2009	102,435	178,945	-	-	102,435	178,945
2010	114,100	173,554	-	-	114,100	173,554
2011	140,545	169,081	-	-	140,545	169,081
2012	151,545	162,064	-	-	151,545	162,064
2013-2017	835,360	716,040	-	-	835,360	716,040
2018-2022	1,023,310	601,392	-	-	1,023,310	601,392
2023-2027	1,063,495	327,600	-	-	1,063,495	327,600
2028-2032	431,410	46,091	-	-	431,410	46,091
Total	$ 3,952,300	$ 2,557,363	$ -	$ -	$ 3,952,300	$ 2,557,363

(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.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2007, for each enterprise fund is as follows (in thousands) - continued:

San Francisco Water Enterprise (1)

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2008............	$ 19,170	$ 45,023	$ -	$ -	$ 19,170	$ 45,023
2009............	25,520	44,065	-	-	25,520	44,065
2010............	26,605	42,991	-	-	26,605	42,991
2011............	27,795	41,784	-	-	27,795	41,784
2012............	29,190	40,401	-	-	29,190	40,401
2013-2017.....	160,155	179,390	-	-	160,155	179,390
2018-2022.....	150,475	142,805	-	-	150,475	142,805
2023-2027.....	175,790	104,216	-	-	175,790	104,216
2028-2032.....	198,765	59,396	-	-	198,765	59,396
2033-2037.....	152,615	17,509	-	-	152,615	17,509
Total............	$ 966,080	$ 717,580	$ -	$ -	$ 966,080	$ 717,580

Hetch Hetchy Water and Power (1)

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2008............	$ -	$ -	$ 107	$ 11	$ 107	$ 11
2009............	-	-	110	8	110	8
2010............	-	-	115	4	115	4
2011............	-	-	58	1	58	1
Total............	$ -	$ -	$ 390	$ 24	$ 390	$ 24

Municipal Transportation Agency (1) (2)

Fiscal Year Ending June 30	Revenue/Lease Revenue Bonds Principal	Revenue/Lease Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2008............	$ 3,650	$ 2,498	$ 4,520	$ 506	$ 8,170	$ 3,004
2009............	3,810	2,869	6,381	283	10,191	3,152
2010............	3,125	2,726	279	61	3,404	2,787
2011............	3,260	2,587	-	-	3,260	2,587
2012............	3,405	2,438	-	-	3,405	2,438
2013-2017.....	19,705	9,585	-	-	19,705	9,585
2018-2022.....	12,795	4,779	-	-	12,795	4,779
2023-2027.....	4,360	2,564	-	-	4,360	2,564
2028-2032.....	5,830	1,090	-	-	5,830	1,090
Total............	$ 59,940	$ 31,136	$ 11,180	$ 850	$ 71,120	$ 31,986

(1) The specific year for payment of accreted interest payable (San Francisco Water Enterprise), estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) Unamortized loan premiums of $0.5 million (MTA) are not included in principal payments.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2007, for each enterprise fund is as follows (in thousands) - continued:

San Francisco Wastewater Enterprise (1)

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2008............	$ 34,500	$ 15,698	$ 13,337	$ 3,168	$ 47,837	$ 18,866
2009............	35,665	14,646	13,761	2,744	49,426	17,390
2010............	37,130	13,183	14,198	2,307	51,328	15,490
2011............	26,320	11,827	14,650	1,855	40,970	13,682
2012............	22,010	10,959	9,594	1,389	31,604	12,348
2013-2017.....	112,525	37,338	30,372	3,264	142,897	40,602
2018-2022.....	70,805	15,400	6,526	480	77,331	15,880
2023-2027.....	23,870	1,470	-	-	23,870	1,470
Total............	$ 362,825	$ 120,521	$ 102,438	$ 15,207	$ 465,263	$ 135,728

Port of San Francisco (1)

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2008............	$ 4,070	$ 348	$ 88	$ 144	$ 4,158	$ 492
2009............	4,185	222	92	140	4,277	362
2010............	4,320	75	96	136	4,416	211
2011............	-	-	100	131	100	131
2012............	-	-	105	127	105	127
2013-2017.....	-	-	600	559	600	559
2018-2022.....	-	-	748	411	748	411
2023-2027.....	-	-	932	227	932	227
2028-2032.....	-	-	434	29	434	29
Total............	$ 12,575	$ 645	$ 3,195	$ 1,904	$ 15,770	$ 2,549

A summary of the annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2007 for business-type activities is as follows (in thousands):

Total Business-type Activities (1) (2)

Fiscal Year Ending June 30	Revenue/Lease Revenue Bonds Principal	Revenue/Lease Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2008............	$ 151,490	$ 246,163	$ 18,051	$ 3,829	$ 169,541	$ 249,992
2009............	171,615	240,747	20,344	3,175	191,959	243,922
2010............	185,280	232,529	14,688	2,508	199,968	235,037
2011............	197,920	225,279	14,808	1,987	212,728	227,266
2012............	206,150	215,862	9,699	1,516	215,849	217,378
2013-2017.....	1,127,745	942,353	30,972	3,823	1,158,717	946,176
2018-2022.....	1,257,385	764,376	7,274	891	1,264,659	765,267
2023-2027.....	1,267,515	435,850	932	227	1,268,447	436,077
2028-2032.....	636,005	106,577	434	29	636,439	106,606
2033-2037.....	152,615	17,509	-	-	152,615	17,509
Total............	$ 5,353,720	$ 3,427,245	$ 117,202	$ 17,985	$ 5,470,922	$ 3,445,230

(1) The specific year for payment of accreted interest payable (San Francisco Water Enterprise), estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) Unamortized loan premiums of $0.5 million (MTA) are not included in principal payments.

The annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2007, for the component unit are as follows (in thousands):

Component Unit: San Francisco Redevelopment Agency (1)

Fiscal Year Ending June 30	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Tax Revenue Bonds Principal	Tax Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2008	$ 5,544	$ 13,027	$ 28,388	$ 26,394	$ 2,582	$ 3,973	$ 36,514	$ 43,394
2009	5,350	13,289	27,177	26,904	2,652	3,815	35,179	44,008
2010	5,152	13,565	27,597	25,833	2,799	3,610	35,548	43,008
2011	5,019	13,776	29,619	24,649	2,877	3,442	37,515	41,867
2012	4,881	13,992	31,192	22,648	2,962	3,272	39,035	39,912
2013-2017	50,149	44,692	183,163	78,149	22,133	13,612	255,445	136,453
2018-2022	42,420	5,658	147,715	41,974	20,660	8,293	210,795	55,925
2023-2027	8,984	704	44,936	63,458	17,625	3,015	71,545	67,177
2028-2032	-	-	30,872	29,716	2,018	661	32,890	30,377
2033-2037	-	-	25,335	26,124	1,691	178	27,026	26,302
Total	$ 127,499	$ 118,703	$ 575,994	$ 365,849	$ 77,999	$ 43,871	$ 781,492	$ 528,423

(1) The specific year for payment of accreted interest payable and accrued vacation and sick leave pay is not practicable to determine.

Governmental Activities Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the fiscal year ended June 30, 2007, are as follows (in thousands):

Governmental Activities - General Obligation Bonds
(in thousands)

Authorized and unissued as of June 30, 2006	$ 346,065
Bonds issued:	
Seismic Safety Loan Program	(2,000)
Net authorized and unissued as of June 30, 2007	$ 344,065

There were no new authorizations on general obligation bonds in fiscal year ended June 30, 2007.

Seismic Safety Loan Program Government Obligation Bonds

The Seismic Safety Loan Program was approved by the voters of the City and County of San Francisco by Proposition A in November 1992, which authorized the issuance of up to a total of $350 million aggregate principal amount of government obligation bonds to provide funds for loans for the seismic strengthening of privately-owned unreinforced masonry buildings within the City for affordable housing and market-rate residential, commercial and institutional purposes and for related administrative costs. Approximately 2,200 privately-owned unreinforced masonry buildings have been identified by the City. These buildings are located throughout San Francisco, but are concentrated in Chinatown, the Tenderloin and south of Market Street. In July 1992, the Board of Supervisors passed legislation mandating that these buildings be seismically strengthened within specified periods of time. The owners of the unreinforced masonry buildings are eligible to apply for loans under the Loan Program to finance the required seismic strengthening work and certain other legally-required work.

In February 2007 the Board of Supervisors approved Resolution No. 65-07 which authorized the issuance of indebtedness under Proposition A in the amount not to exceed $35 million. Such issuance was achieved pursuant to the terms of a Credit Agreement with Bank of America, N.A. In March 2007, the City

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made the first borrowing under the Credit Agreement (Seismic Safety Loan Program, 1992) Series 2007A in the amount of $2 million. The first borrowing bears an interest rate of 5.69% with principal amortizing from June 2007 through June 2026. Within the first loan account are two loan sub-accounts, the market loan account and the below market rate loan account. Debt service payments are funded through ad valorem taxes on property and principal repayments from borrowers of the loan program.

Current Refundings

In October 2006, the City issued the General Obligation Refunding Bonds, Series 2006-R1 (Series 2006-R1 Bonds) in the amount of $90.7 million with interest rates ranging from 4.0% to 5.0% (maturing from June 2007 through June 2020) to refund all or a portion of the City's outstanding General Obligation Bonds as follows:

General Obligation Refunding Bonds, Series R-1
(in thousands)

Description of Bonds	Amount Refunded	Interest Rate	Call Price	Call Date
Series 1997A - Golden Gate Park Improvements, 1992	$ 15,525	4.800% - 5.25%	101.000%	11/30/2006
Series 1997B - School District Facilities Improvements, 1994	13,625	4.800% - 5.25%	101.000%	11/30/2006
Series 1999D - Asian Art Museum Relocation Project, 1994	9,585	5.000% - 5.50%	102.000%	6/15/2007
Series 2000A - Educational Facilities, Community College District, 1997	21,315	5.125% - 5.75%	102.000%	6/15/2008
Series 2000B - Zoo Facilities, 1997	12,555	5.125% - 5.75%	102.000%	6/15/2008
Series 2000C - Neighborhood Recreation & Park Facilities Improvement, 2000	4,455	5.125% - 5.75%	102.000%	6/15/2008
Series 2000D - Affordable Housing, 1996	11,580	4.750% - 5.50%	102.000%	6/15/2008
	$ 88,640			

The net proceeds of $ 93.1 million (including original issue premium of $3.1 million, and after payment of $0.7 million in underwriting fees and other issuance costs) were used to purchase certain direct obligations of the United States of America (the "escrow securities"). The escrow securities were deposited into an escrow account held by the escrow agent. As the refunded bonds become due for interest payment and /or redemption, the escrow agents will transfer to the Treasurer of the City monies held in the escrow account to pay the principal, redemption premium, and interest due on the refunded bonds. The last of the refunded bonds will mature on June 15, 2008.

Although the refunding resulted in the recognition of deferred accounting loss of $4.5 million for the year ended June 30, 2007, the City in effect reduced its aggregate debt service payments by $7 million and obtained a net present value benefit of $5.4 million.

In December 2006, the City issued the General Obligation Refunding Bonds, Series 2006-R2 (Series 2006-R2) in the amount of $66.6 million with interest rates ranging from 3.5% to 4.15% (maturing from June 2007 through June 2019) to refund the outstanding General Obligation Bonds with maturities from June 2009 through June 2019, as follows:

General Obligation Refunding Bonds, Series R-2
(in thousands)

Description of Bonds	Amount Refunded	Interest Rate	Call Price	Call Date
Series 1999A - Educational Facilities, Community College District, 1997	$ 13,490	5.125% - 5.50%	102.000%	6/15/2007
Series 1999B - Educational Facilities, San Francisco Unified School District, 1997	40,045	5.125% - 5.50%	102.000%	6/15/2007
Series 1999C - Zoo Facilities, 1997	11,150	5.125% - 5.50%	102.000%	6/15/2007
	$ 64,685			

The net proceeds of $66.5 million (including original issue premium of $0.4 million, and after payment of $0.5 million in underwriting fees and other issuance costs) were used to purchase certain direct obligations of the United States of America (the "escrow securities"). The escrow securities were deposited into an escrow account held by the escrow agent. The escrow agent withdrew the funds from the escrow funds and transferred to the Treasurer of the City for payment of principal, interest and redemption premium on the refunded bonds on June 15, 2007.

The refunding resulted in the recognition of deferred accounting loss of $1.8 million for the year ended June 30, 2007. However, the City in effect reduced its aggregate debt service payments by $9.4 million and obtained a net present value benefit of $4.7 million.

Certificates of Participation

In May 2007, the City issued $153.7 million Certificates of Participation, City Office Buildings - Multiple Properties Project, composed of Series 2007A for $152.1 million and Taxable Series 2007B for $1.6 million. The Series 2007A and Series 2007B Certificates were issued to provide funds to finance the acquisition of existing office buildings located at One South Van Ness Avenue, San Francisco, California (the "One South Van Ness Property") and 1650 Mission Street, San Francisco, California, (the "Mission Street Property"), to improve portions of the One South Van Ness Property, the Mission Street Property and the existing City-owned property office building located at 30 Van Ness Avenue, San Francisco, California (the "30 Van Ness Property").

The Series 2007A were issued with interest rates ranging from 3.25% to 5.00% and mature from September 2009 through September 2040. The Series 2007B were issued with interest rate of 5.25% and matures in September 2008.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2007 were as follows:

Governmental Activities - Lease Revenue Bonds
(in thousands)

Authorized and unissued as of June 30, 2006	$ 126,699
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program	2,078
Current year maturities in Finance Corporation's equipment program	10,450
Bonds issued:	
Series 2007A, San Francisco Finance Corporation	(11,830)
Net authorized and unissued as of June 30, 2007	$ 127,397

Finance Corporation

The purpose of the Finance Corporation is to provide a means to publicly finance through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes.

The Finance Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment, which are in turn leased to the City under the terms of an Indenture and Equipment Lease Agreement. These assets are then recorded in the basic financial statements of the City. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amounts that are not applied towards the acquisition or construction of real and personal property such as unapplied acquisition funds, bond issue costs, amounts withheld pursuant to reserve fund requirements, and amounts designated for capitalized interest are recorded as deferred credits until such time as they are used for their intended purposes.

(a) Equipment Lease Program

In the June 5, 1990 election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to $20 million of equipment through a non-profit corporation using tax-exempt obligations.

Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to $20 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2007, the total authorized amount is $43.7 million. The total accumulated annual authorization since 1990 is $23.7 million, of which $2.1 million is new annual authorization for the fiscal year ended June 30, 2007.

The equipment lease program functions as a revolving bond authorization fund. That is, for each dollar in bond principal that is repaid, a new dollar can be issued. The Finance Corporation has issued $135.4 million in equipment lease revenue bonds since 1991. As of June 30, 2007, $105 million has been repaid, leaving $30.4 million in equipment lease revenue bonds outstanding and $13.2 million available for new issuance.

In June 2007, the Finance Corporation issued its fifteenth Series of equipment lease revenue bonds, Series 2007A in the amount of $11.8 million with interest rates ranging form 3.5% to 4%. The bonds mature from April 2008 to April 2013.

(b) City-wide Communication System

In 1993, the voters approved the issuance of up to $50 million in lease revenue bonds to finance the acquisition and construction of a citywide emergency radio communication system (800 MHz). The Finance Corporation issued two series in January 1998 and February 1999 for $31.3 million and $18.7 million, respectively. As of June 30, 2007, the amount authorized and unissued was $0.1 million. Further, in 1994, the voters approved the issuance of up to $60 million in lease revenue bonds to finance the acquisition and construction of a combined emergency communication center to house the City's 911-emergency communication system. The Finance Corporation issued two series in June 1997 and in July 1998 for $22.6 million and $23.3 million, respectively. As of June 30, 2007, the amount authorized and unissued was $14.1 million.

(c) Moscone Center West Expansion Project

In 1996, the voters approved the issuance of up to $157.5 million in lease revenue bonds for the purpose of financing a portion of the costs of acquiring, constructing, and improving a free-standing expansion to the City's Moscone Convention Center. On November 2, 2000, Series 2000-1, 2000-2 and 2000-3 totaling $157.5 million were issued. Each series of bonds may bear interest at a different rate and in a different interest rate mode from other series of bonds. Currently, the bonds bear interest at a weekly rate.

(d) Open Space Fund

In 2000, the voters of the City adopted Proposition C amending the Charter by repealing the then existing Park and Office Space Fund, authorizing the creation of a new Park, Recreation and Open Space Fund to purchase open space, acquire property for recreation facilities and develop, and maintain these facilities and authorizing the issuance of revenue bonds for such purpose. A set aside of 2.5% of the City's general 1% property tax is required by the Charter to be deposited in the Open Space Fund.

In November 2006, the Corporation issued Lease Revenue Bonds Series 2006 (Open Space Fund-Various Park Projects) in the amount of $27 million (the "Series 2006 Bonds"). The Series 2006 Bonds will finance the design, construction, renovation and the installation of various park improvements located within the City. Interest rates range from 3.75% to 5.5%. The bonds begin to mature in July 2007 through July 2027.

Fillmore Renaissance Center Project Loan

In July 2005, the City entered into an agreement with the Department of Housing and Urban Development (HUD) for an approved Section 108 Loan in the maximum amount of $5.5 million. The funds were committed to the Fillmore Renaissance Center Project, a mixed-use commercial housing development located in San Francisco Redevelopment Agency's Jazz Preservation District. During the fiscal year 2005-2006, HUD advanced to the City loan funds totaling $5.4 million. In September 2006, the $5.4 million loan was converted to a fixed rate financing and the amount of the loan was increased to $5.5 million. The new loan carries interest rates ranging from 4.96% to 5.74% and matures from August 2007 through August 2025.

311 Call Center Capital Lease

In September 2006, the City entered into an agreement with Wells Fargo Brokerage Services for a Lease Purchase transaction for the telecommunication and computer equipment needed to establish the 311 Call Center for the General Services Agency. The 311 Call Center includes a Customer Relationship Management (CRM) application that will connect all City departments and agencies. It is located at the second floor of One South Van Ness building, San Francisco, California. The lease purchase for the amount of $2.8 million is fully amortized at an interest rate of 4.325% with interest and principal payments starting July 2007. It is payable semi-annually every July and January until fully paid in January 2010.

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

In November 2006, the San Francisco International Airport (SFO or Airport) issued its Second Series Revenue Refunding Bonds Issue 32F/G/H (Issue 32F/G/H Bonds) in the amount of $453 million with interest rates ranging from 4.00% to 5.25%. A portion of the proceeds from the issue 32F/G/H Bonds was deposited into an irrevocable trust with an escrow agent to refund certain of the Airport's Second Series Revenue Bonds as follows (in thousands):

	Amount Refunded	Interest Rate	Redemption Price
Second Series Revenue Bond Issuance:			
Issue 10A	$ 20,975	5.300% - 5.450%	102%
Issue 12A	8,415	5.625%	101%
Issue 13B	2,435	5.400% - 5.500%	101%
Issue 14	3,185	5.400% - 5.500%	101%
Issue 15B	90,820	4.700% - 5.000%	102%
Issue 16B	40,475	5.000% - 5.500%	101%
Issue 17	17,275	5.000% - 5.500%	101%
Issue 18B	84,455	4.750% - 5.250%	101%
Issue 19	20,195	4.750% - 5.250%	101%
Issue 23B	63,680	4.500% - 5.125%	101%
Issue 24B	21,990	5.250% - 5.625%	101%
Issue 26B	21,785	4.875% - 5.000%	101%
Issue 28B	73,605	3.250% - 5.250%	100%
	$ 469,290		

The refunded Second Series Revenue Bonds have final maturity dates ranging from May 1, 2007 to May 1, 2032 and call dates of December 18, 2006 to May 1, 2012.

The Issue 32/F/G/H Bonds were issued as fixed rate bonds. The net proceeds of $483.9 million (after payments of $7.6 million in underwriting fees, insurance and surety bond premiums, and costs of issuance) plus bond premium of $35.9 million and an additional $2.6 million of available funds (consisting of debt service and principal funds) were used to purchase U.S. Treasury Securities - State and Local Government Series. These securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments on refunded bonds identified above until their respective redemption dates.

The refunded bonds were considered legally defeased and are no longer considered outstanding under the 1991 Master Bond Resolution and the debt is considered legally satisfied based on certain provisions in the debt instrument, even though most of the refunded bonds have not yet been redeemed. Accordingly, the liability for the refunded bonds has been removed from the accompanying statement of net assets.

Although the refunding resulted in the recognition of a deferred accounting loss of $20.8 million for the year ended June 30, 2007, the Airport in effect reduced its aggregate debt service payments by approximately $22.1 million over the next 26 years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of $19.6 million.

The Airport entered into seven forward-starting interest rate swaps in December 2004, four in connection with the anticipated issuance of its Second Series Variable Rate Revenue Refunding Bonds, Issue 32 Series A through E (Issue 32 Bonds) on February 10, 2005, and three in connection with a portion of its Variable Rate Refunding Bonds, Issue 33 (Issue 33 Bonds), on February 15, 2006. Pursuant to these interest rate swaps, the Airport receives a monthly variable rate payment from each counter-party equal to 63.5% of the USD-LIBOR-BBA, plus 0.29%, times the notional amount of the swap, which is intended to approximate the variable interest rates the Airport pays on the Issue 32 Bonds and the interest rate swap hedged portion of the Issue 33 Bonds. The Airport makes a monthly fixed rate payment to the counterparties as set forth below. The objective of the swaps is to achieve a synthetic fixed rate with respect to the Issue 32 Bonds and the hedged portion of the Issue 33 Bonds.

For the fiscal year ended June 30, 2007, the Airport paid a total of $13.8 million in fixed rate payments to the counterparties and received $15.1 million in floating rate payments in return, resulting in total net swap receipts of $1.3 million from the counterparties. During the same period, the Airport made variable interest rate payments on the related bonds of $14.5 million, resulting in the Airport receiving $0.6 million more from the counterparties than it paid in interest on the related variable rate bonds. The effective synthetic fixed rate on the related bonds was 3.215%.

The four interest rate swaps relating to the Issue 32 Bonds went into effect on February 10, 2005, the date of the issuance of the Issue 32 Bonds, and the first payments commenced on March 1, 2005. The three interest rate swaps relating to the Issue 33 Bonds went into effect on February 15, 2006, the date of issuance of the Issue 33 Bonds, and the first payments commenced on March 1, 2006. All of the interest rate swaps are terminable at any time at the option of the Airport at their market value.

The interest rate swaps relating to the Issue 32 Bonds terminate by their terms on May 1, 2026, the final maturity date for the Issue 32 Bonds. The following is additional information regarding each swap and the counterparty as of June 30, 2007 (in thousands):

Counterparty/guarantor	Initial notional amount	Counterparty credit ratings (S&P/Moody's)	Fixed rate payable by Airport	Fair value to Airport
J.P. Morgan Chase Bank, N.A.	$ 70,000	AA/Aaa	3.444%	$ 3,139
Bear Sterns Capital Markets, Inc.	30,000	A+/A1	3.444%	1,345
J.P. Morgan Chase Bank, N.A.	69,930	AA/Aaa	3.445%	3,130
Bear Sterns Capital Markets, Inc.	29,970	A+/A1	3.445%	1,342
(Aggregate notional amount)	$ 199,900			$ 8,956

The interest rate swaps relating to the Issue 33 Bonds terminate by their terms on May 1, 2019, but the final maturity date for the Issue 33 Bonds is May 1, 2026. The following is additional information regarding each swap and counterparty as of June 30, 2007 (in thousands):

Counterparty/guarantor	Initial notional amount	Counterparty credit ratings (S&P/Moody's)	Fixed rate payable by Airport	Fair value to Airport
Lehman Brothers Special Financial Inc.	$ 73,570	A+/A1	3.393%	$ 2,227
Bear Sterns Capital Markets, Inc.	31,530	A+/A1	3.393%	954
Lehman Brothers Special Financial Inc.	100,000	A+/A1	3.379%	3,146
(Aggregate notional amount)	$ 205,100			$ 6,327

Risks Disclosure

The aggregate market value to the Airport from time to time, if any, of the interest rate swaps with any single counterparty is the maximum amount of credit exposure the Airport will have to that counterparty. The Airport has limited counterparty credit risk by limiting its exposure to any one counterparty. Under the terms of the swaps, counterparties are required to post collateral consisting of specified U.S. Treasury and Agency securities for the market value of the swap that exceeds specified thresholds which are linked to the counterparty's credit ratings. Any such collateral will be held by the Airport's custodial bank. There is limited basis risk with respect to the interest rate swaps, as the Airport has chosen a variable rate index designed to closely approximate the variable rates payable on the Issue 32 and 33 Bonds. The Airport has limited termination risk with respect to the interest rate swaps. That risk would arise primarily from certain credit-related events or events of default on the part of the Airport, the municipal swap insurer, or the counterparty. The Airport has secured municipal swap insurance for its payments, including termination payments, due under each interest rate swap from insurers currently rated AAA/Aaa by Moody's and S&P.

Additional termination events under the swap documents with respect to the Airport include an insurer payment default, under the applicable swap insurance policy, and certain insurer ratings downgrades or specified insurer non-payment defaults combined with a termination event or event of default on the part of the Airport or a ratings downgrade of the Airport below investment grade.

Additional termination events under the swap documents with respect to a counterparty include a ratings downgrade below investment grade followed by a failure of the counterparty to assign its rights and obligations under the swap documents to another entity acceptable to the applicable insurer within 15 business days.

San Francisco Water Enterprise

During fiscal year 2006-2007, the San Francisco Water Enterprise issued 2006 Water Revenue Refunding Bonds, Series C (the 2006 Refunding Series C Bonds) in the amount of $48.7 million for the purpose of refunding a portion of the outstanding 1996 Series A Bonds maturing on and after November 2007 (the Refunded 1996 Series A Bonds). A portion of the proceeds on the 2006 Refunding Series C Bonds was deposited with the Trustee, acting as escrow agent under the irrevocable Refunding Instructions, dated August 1, 2006 to refund and legally defeased, on a current basis, the Refunded 1996 Series A Bonds currently outstanding in the principal amount of $48 million. This deposit, together with certain other available moneys was held by the escrow agent under the Refunding Instruction and invested in non-callable Federal Securities consisting of United States Treasury Securities-State and Local Government Series (SLGS). The principal and interest on the deposit with the escrow agent was sufficient to pay the principal redemption price, premium, and interest on the Refunded 1996 Series A Bonds on November 2006 by optional redemption on that date.

The 1996 Series A Bonds maturing on November 2006 in the principal amount of $4.4 million remained outstanding following the issuance of the 2006 Refunding Series C Bonds and was paid by the Water Enterprise at maturity in November 2006. Although the refunding resulted in the recognition of a deferred accounting loss of $2.86 million, the Water Enterprise in effect reduced its aggregate debt service payments by approximately $2.89 million (based on average interest rates of 4.415% and 5.012% for the new debt and old debt, respectively). The economic gain for this refunding based on the net present values was calculated to be $1.6 million.

Hetch Hetchy Water and Power Enterprise

In November 2002, the Hetch Hetchy Water and Power Enterprise (the Hetch Hetchy Enterprise) received a $1 million loan from the California Energy Commission with an annual interest rate of 3%, and semi-annual repayments of $0.74 million beginning in December 2003, with a final maturity date in December 2010. Proceeds from the loan were used to provide funding for an energy conservation project undertaking at San Francisco General Hospital. Under the loan terms, the Enterprise is required to prepare and submit annual energy use reports to the California Energy Commission for three years following the completion of the project. The reports are to demonstrate the cost of energy saved as a result of the project. In August 2003, the California Energy Commission loan was renegotiated and the Enterprise received a $0.2 million grant, which was utilized to pay down the original loan. The loan reduction also reduced the semi-annual payments to $0.59 million from the original $0.74 million.

San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise has entered into several contracts (State Revolving Fund Loans) with the State Water Resources Control Board (SWRCB) under which the Wastewater Enterprise borrowed up to prescribed maximum amounts to finance the construction of certain facilities. The amount of loans outstanding as of June 30, 2007 is $102.4 million, with interest rates ranging from 2.8% to 3.5%, and matures from July 2010 through January 2021.

Component Unit Debt – San Francisco Redevelopment Agency

The current year debt activities of the San Francisco Redevelopment Agency are discussed in note 12.

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

The City maintains a single-employer, defined benefit pension plan (the Plan) which covers substantially all of its employees, and certain classified and certified employees of the San Francisco Community College District and Unified School District, and San Francisco Trial Court employees other than judges. The Plan is administered by the San Francisco City and County Employees' Retirement System (the Retirement System). Some City employees participate in the California Public Employees Retirement System (PERS), an agent multiple-employer, public employee pension plan which covers certain employees in public safety functions, the Port, SFO and the Redevelopment Agency.

Employees' Retirement System

Plan Description - Substantially all full-time employees of the City participate in the Plan. The Plan provides basic service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and Administrative Code is the authority which establishes and amends the benefit provisions and employer obligations of the Plan. The retirement related payroll for employees covered by the Retirement System for the year ended June 30, 2007 was approximately $2.05 billion. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, CA 94102 or by calling (415) 487-7020.

Membership

Membership of the Retirement System at July 1, 2006 the date of the latest actuarial valuation is:

	Police	Fire	Others	Total
Retirees and beneficiaries currently receiving benefits.......	2,091	1,912	16,486	20,489
Active members:				
Vested................................	1,814	1,349	19,721	22,884
Nonvested............................	305	253	5,984	6,542
Subtotal..........................	2,119	1,602	25,705	29,426
Total..	4,210	3,514	42,191	49,915

As of July 1, 2006 there were 2,901 terminated members entitled to, but not yet receiving benefits.

Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Funding Policy - Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory. Employee contribution rates for fiscal year 2006-2007 varied from 7% to 8% as a percentage of gross salary. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2006 actuarial report, the required employer contribution for fiscal year 2006-2007 was 6.24 percent. In collective bargaining during the year ended June 30, 1994, the City and County agreed to pay a portion of the employee contributions on behalf of employees. From 1994 through June 2003, the City and County portion of these contributions has been negotiated through the various unions on a member group basis, and did not exceed 8% of base salary.

For fiscal year ended June 30, 2007, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis.

Employer contributions and member contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions.

Annual Pension Cost - The annual required contribution for the current year was determined as part of an actuarial valuation performed as of July 1, 2006. The actuarial method used was the entry age normal cost method. The significant actuarial assumptions include: (1) annual rate of return on investments of 8%; (2) inflation element in wage increases of 3.5%; and (3) salary merit increases of 4.5%. Unfunded liabilities are amortized using the level percentage of payroll method. Changes in actuarial gains and loss assumptions and purchasable services are amortized as a level percentage of pay over a closed 15 year period. Plan amendments are amortized over 20 years.

Three-year trend information is as follows (amounts in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	$ 83,664	100%	$ -
6/30/2006	126,533	100%	-
6/30/2007	132,601	100%	-

California Public Employees' Retirement System

Various City public safety, Port, and all Redevelopment Agency employees are eligible to participate in PERS. Disclosures for the Redevelopment Agency are included in the separately issued financial statements.

Plan Description - The City contributes to PERS, an agent multiple-employer public employee defined benefit pension plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. Effective with the PERS June 30, 2003 actuarial valuation, PERS mandated that the City's miscellaneous members plan be included in a cost-sharing multiple-employer plan consisting of various government entities with plan memberships of less than 199 active members. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814. A separate report for the City's plan within PERS is not available.

Miscellaneous Plan

Funding Policy - Miscellaneous plan - Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the miscellaneous plan, the fiscal year 2006-2007 contribution rate is 0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost – Miscellaneous plan - cost for PERS for fiscal year 2006-2007 was equal to the City's required and actual contributions which was determined as part of the June 30, 2004 actuarial valuation using the entry age actuarial cost method.

Three-year payment trend information is as follows (amounts in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	$ -	N/A	$ -
6/30/2006	-	N/A	-
6/30/2007	-	N/A	-

Safety Plan

Funding Policy – Safety plan - Participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. For the safety plan, the fiscal year contribution rate is 18.824% because the City is funded at 96.5%. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost – Safety Plan - cost for PERS for fiscal year 2006-2007 was equal to the City's required and actual contributions which was determined as part of the June 30, 2004 actuarial valuation using the entry age actuarial cost method. The assumptions included in the June 30, 2004 actuarial valuation were: (a) 7.75% investment rate of return (net of administrative expenses), (b) 3.25% to 13.15% projected annual salary increases that vary by age, service and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. Changes in unfunded liability/(excess assets) due to changes in actuarial methods or assumptions or changes in plan benefits are amortized over as a level percentage of pay over a closed 20 year period. Actuarial gains and losses are first offset against one another and then 6% of the net unamortized gain/loss is recognized.

Three-year trend information is as follows (amounts in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	$ 3,689	100%	$ -
6/30/2006	6,736	100%	-
6/30/2007	15,977	100%	-

(b) Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

(c) Health Service System

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately $444.1 million in fiscal year 2006-2007. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California. Included in this amount is $132.2 million to provide post-employment health care benefits for 21,558 retired employees. The City's liability for both current employee and post-employment health care benefits is limited to its annual contribution. 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 and required supplementary information for the health care benefits. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 200, San Francisco, CA 94103 or by calling (800) 541-2266.

(10) SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

The San Francisco County Transportation Authority (the Authority) was established in November 1989 by the voters of the City and County of San Francisco pursuant to State Code Section 131.000. The purpose of the Authority is to administer the voter-approved county-wide transactions and use tax of one-half of one percent to fund essential transportation projects, as set forth in the San Francisco County Transportation Expenditure Plan. The Authority's Expenditure Plan defines a program of prioritized projects to ensure that funding is allocated across major transportation categories. The City accounts for these activities in the other governmental funds.

In November 1990, the Authority was designated under state laws as the Congestion Management Agency for San Francisco, and in that capacity prioritizes State and Federal transportation funds for San Francisco while working with the Metropolitan Transportation Commission. Responsibilities also include preparing a county-wide transportation plan to guide the City's future transportation investments, monitoring traffic congestion levels, measuring transportation performance, and developing a travel demand forecasting model.

In June 2002, the Authority was designated by the Board of Supervisors as the overall program manager for the Local Guarantee share of transportation funds available through the Transportation Fund for Clean Air Program (TFCA), which is administered by the Bay Area Air Quality Management District. The source of funds is a $4.00 surcharge on the vehicle registration fee.

In November 2003, the City voters approved Proposition K by a 74.79% affirmative vote, amending the City Business and Tax Code to continue the existing county-wide one-half of one percent sales tax, and replace the 1989 Proposition B Expenditure Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: Transit, Streets and Traffic Safety (including street resurfacing and bicycle and pedestrian improvements); Paratransit services for seniors and persons with disabilities; and Transportation System Management/Strategic Initiatives to fund neighborhood parking management, land use coordination, and beautification efforts. The major capital projects to be funded by the new Expenditure Plan are development of the Bus Rapid Transit/MUNI Metro Network, construction of the MUNI Central Subway (Third Street Light Rail Project – Phase 2), construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal and replacement of the South Access to the Golden Gate Bridge (Doyle Drive Replacement Project). The Authority may modify the Expenditure Plan with voter approval, and the county-wide one-half of one percent sales tax would continue as long as a new or modified plan is in effect. Under the current Proposition K legislation, the Authority directs the use of the sales tax and may spend up to $485.2 million per year and issue up to $1.88 billion in bonds, to be repaid from the one-half of one percent sales tax.

The Authority and California Department of Transportation (Caltrans) are working in partnership to implement the Doyle Drive Replacement Project. In April 1988, the Authority and Caltrans signed a Memorandum of Understanding designating the Authority as the lead agency for the environmental study. The Doyle Drive Draft Environmental Impact Statement/Report (DEIS/R) was completed and circulated for public comment in December 2005. On September 1, 2006, Caltrans gave the Authority an authorization to proceed with preliminary engineering for the Doyle Drive Replacement Project. On September 26, 2006, through Resolution 07-17, the Authority selected Alternative 5 (Presidio Parkway) with specified design options, as the Preferred Alternative to be identified in the Final Environmental Impact Statement/Report for the Doyle Drive Replacement Project. A Final Environmental Impact Statement/Report is expected in early 2008. A federal Record of Decision and State Notice of Determination are expected by Spring 2008.

(11) DETAILED INFORMATION FOR ENTERPRISE FUNDS

(a) San Francisco International Airport

San Francisco International Airport (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 and management of SFO. SFO is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to final data for calendar year 2006 from the Airports Council International (the ACI), SFO is one of the largest airports in the United States both in terms of passengers (14th) and air cargo (13th). SFO is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

The San Francisco Bay Area Rapid Transit District (BART) extension to SFO creates a convenient connection between SFO and the greater San Francisco Bay Area. An intermodal station in the City of Millbrae provides a direct link to Caltrain, offering additional transit options and connections to the southern parts of the Bay Area. Access from the BART station throughout SFO is enhanced by the AirTrain system, a shuttle train that connects airport terminals. The AirTrain system provides transit service over a "terminal loop" to serve the terminal complex and over a "north corridor loop" to serve the rental car facility and other locations situated north of the terminal complex.

SFO has developed a revised five-year Capital Plan that better fits the ongoing changes in the aviation industry. The revised Capital Plan was approved in May 2006 and included projects related to improvements to the airfield, groundside activities, utility infrastructure upgrades, terminal upgrades, health, safety and security enhancements, and cost savings and revenue generating enhancements.

In May 1997, SFO authorized the issuance, from time to time, of its Subordinate Commercial Paper Notes in an aggregate principal amount not to exceed the lesser of $400 million or the stated amount of the letter of credit. The subordinate Lien Resolution authorizes a maximum principal amount of notes of $400 million. In May 2006, SFO obtained a direct-pay letter of credit with a maximum stated principal amount of $200 million. There were no commercial borrowings during the year ended June 30, 2007.

In addition to the long-term obligations discussed above, there is $109 million in Special Facilities Lease Revenue Bonds outstanding at June 30, 2007 for SFO Fuel Company LLC (SFO Fuel). SFO Fuel is required to pay facilities rent to SFO in an amount equal to debt service payments and required bond reserve account deposits on the bonds. The principal and interest on the bonds will be paid solely from the facilities rent payable by SFO Fuel to SFO. SFO assigned its right to receive the facilities rent to the bond trustee to pay and secure the payment of the bonds. Neither SFO nor the City is obligated in any manner for the repayment of these obligations, and as such, they are not reported in the accompanying financial statements.

In July 2001, the Federal Aviation Administration (FAA) approved SFO's first Passenger Facility Charge application (PFC#1) to impose and use a $4.50 Passenger Facility Charge (PFC) per enplaning passenger from October 1, 2001 through June 1, 2003, to pay for approximately $113 million in PFC eligible project development activities and studies associated with the potential runway reconfiguration. In March 2002, the FAA approved SFO's PFC Application Number 2 (PFC#2) to impose and use a $4.50 PFC per enplaning passenger from June 1, 2003 through April 1, 2008, to pay for approximately $224 million in the principal and interest on bonds issued for certain eligible costs relating to the new International Terminal Complex. In January 2004, the FAA approved SFO's amendment to delete PFC#1 as a result of the suspension of the runway reconfiguration project; receipts from PFC#1 were applied to PFC#2. In October 2005, the FAA approved an amendment to PFC #2 charge expiration date to October 6, 2005 due to full collection of the authorized amount. In September 2006, the FAA notified the Airport that the charge expiration date of PFC #2 will be recorded as of November 1, 2005.

In November 2003, the FAA approved SFO's third PFC application (PFC#3) to impose and use a $4.50 PFC per enplaning passenger for approximately $539 million to pay for debt service costs related to the

construction of the new international terminal and boarding areas A and G. The collection period for PFC #3, as originally approved, was from November 1, 2008 to November 1, 2018. In January 2004, the collection period was revised to commence January 1, 2006 with a charge expiration date of January 1, 2016. In October 2005, the collection period for PFC #3 was revised to commence October 6, 2005. Subsequently in July 2006, the FAA approved an amendment to PFC #3 increasing the authorized amount by $70 million. In September 2006, the FAA notified the Airport that the revised date for the start of collections for PFC #3 is recorded as of November 1, 2005 with a revised estimated charge expiration date of January 1, 2017.

For the year ended June 30, 2007, SFO reported approximately $64.3 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements. SFO designated $58.4 million of PFC revenues as "Revenues" under the 1991 Master Bond Resolution for the purpose of paying debt service in fiscal year 2006-2007.

Due to SFO's noise mitigation efforts, significant progress has been made in reducing the impact of aircraft noise on the communities surrounding the Airport through the implementation of (1) noise abatement flight procedures, (2) an aircraft noise insulation program, (3) community outreach through the Airport Community Roundtable, and (4) requests that certain surrounding communities adopt ordinances to protect new purchasers of homes within their community.

Pursuant to an agreement with certain airlines, SFO makes an annual payment to the City's General Fund equal to 15% of concession revenue, but not less than $5 million per fiscal year. The amount transferred to the General Fund during the year ended June 30, 2007 was $23.3 million.

Purchase commitments for construction, material and services as of June 30, 2007 are as follows (in thousands):

Construction	$ 8,251
Operating	37,093
Total	$ 45,344

SFO has a Memorandum of Understanding with various surrounding communities to insulate residential and nonresidential structures such as schools, churches and hospitals. The total estimated funding for this program is approximately $154 million funded by bond proceeds, by federal grant reimbursements to the local communities, and by operating and other internally generated funds. As of June 30, 2007, approximately $124.3 million has been disbursed under this program.

SFO leases facilities to the airlines pursuant to the Lease and Use Agreements and to other businesses to operate concessions at SFO. During the year ended June 30, 2007, revenues realized from the following SFO tenants exceeded five percent of SFO's total operating revenues:

United Airlines	21.1%
AMPCO Parking Systems	9.0%

(b) Port of San Francisco

A five-member Port Commission is responsible for the operation, development, and maintenance activities of the Port of San Francisco (Port). In February 1969, the Port was transferred in trust to the City under the terms and conditions of State legislation ("Burton Act") ratified by the electorate of the City. Prior to 1969, the Port was owned and operated by the State of California. The State retains the right to amend, modify or revoke the transfer of lands in trust provided that it assumes all lawful obligations related to such lands.

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 is presently planning various development projects that involve a commitment to expend significant funds. Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to $30 million over a 20-year period for pier removal, parks and plazas, and other public access improvements. As of June 30, 2007, $16.7 million has been appropriated and $1.6 million has been expended for projects under the agreement. The $16.7 million appropriated includes $9.3 million received in 2004 from the sale of a portion of Seawall Lot 330 to a developer. Residual receipts totaling $17.4 million were received through June 30, 2007 and recorded as a special item.

As of June 30, 2007, the Port had purchase commitments for construction-related services, materials and supplies, and other services were $5.6 million for capital projects and $1.8 million for general operations.

Under a 1996 agreement with the City for parking fine revenues collected from Port property, the Port received $1.6 million from the Municipal Transportation Agency (MTA) in 2007. During 2007, the Port and MTA negotiated an amendment to the original agreement for guaranteed estimated payments. Among other things, the amendment effective July 1, 2007 provides for the transfer to the Port of actual parking fines collected on Port property and the reimbursement by the Port of all MTA's costs associated with collecting and processing parking fines issued on Port property.

(c) San Francisco Water Enterprise

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. The Water Enterprise delivers water, approximately 91,757 million gallons annually, to a total population of approximately 2.4 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission (the Commission), established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Enterprise, and the San Francisco Wastewater Enterprise (Wastewater Enterprise). The Commission consists of five members appointed by the Mayor who are responsible for determining such matters as the rates and charges for services, approval of contracts, and organizational policy.

The Water Enterprise purchases water from Hetch Hetchy Enterprise. This amount, totaling approximately $19 million, is included in the charges for services provided by other departments in the accompanying financial statements.

During fiscal year 2006-2007, water sales to suburban resale customers were $108 million. As of June 30, 2007, the suburban resale customers owed the Water Enterprise approximately $11.8 million under the Water Rate Agreement.

As of June 30, 2007, the Water Enterprise had outstanding commitments with third parties of $140.5 million for various capital projects and for materials and supplies.

In July 1999, the California Regional Water Quality Control Board (CRWQCB) issued a directive instructing the Water Enterprise to develop a remedial action plan (Plan) that addresses environmental contamination at certain real property owned by the Water Enterprise. In response to the directive, the Commission developed a remedial action plan and in August 2001 received the final directive from the

CRWQCB to execute the plan. The cost of cleanup associated with the Plan was estimated to be $22.7 million and was accrued in fiscal year 2000-2001. At June 30, 2007, the outstanding estimated liability is $6.6 million.

(d) Hetch Hetchy Water and Power Enterprise

Hetch Hetchy Water and Power Enterprise (Hetch Hetchy 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 to the City. Hetch Hetchy Enterprise is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity from that resource. Approximately one-third of the electricity is used by the City's municipal customers (e.g., the San Francisco Municipal Railway, the Recreation and Parks Department, San Francisco International Airport, the Port of San Francisco, San Francisco County hospitals, street lighting, Moscone Center, and the water and sewer utilities). The balance of the power generated is sold to other publicly owned utilities, such as the Modesto and Turlock Irrigation Districts (the Districts).

Hetch Hetchy Enterprise consists of a system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines. This system carries water and power more than 165 miles from the Sierra Nevada Mountains to customers in the City and portions of the surrounding San Francisco Bay Area.

Hetch Hetchy Enterprise 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 state and federal power matters before the California Public Utilities Commission (CPUC) and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy Enterprise serves as the City's representative at both CPUC and FERC forums and continues to monitor regulatory proceedings.

Charges for services for the year ended June 30, 2007 include $59.2 million in sales of power by Hetch Hetchy Enterprise to other City Departments. Income from Hetch Hetchy Enterprise is available for certain operations of the City.

As of June 30, 2007, Hetch Hetchy Enterprise had outstanding commitments with third parties of $21.8 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy Enterprise facilitates all electric and gas service connections between Pacific Gas and Electric Company (PG&E) and City Departments. In this capacity, Hetch Hetchy Enterprise, as a pass-through agent on behalf of the City departments, coordinates the payment for the service connections that are performed by PG&E. As of June 30, 2007, there were no outstanding amounts from City departments related to this work.

Hetch Hetchy Enterprise receives title to the underlying assets of certain completed projects on behalf of the City and assumes responsibility for their maintenance, repair and replacement following their initial year of operation.

The Commission has contracted with PG&E to provide transmission capacity on PG&E's system where needed to deliver Hetch Hetchy Enterprise's power to its customers. In addition, the PG&E agreement provides backup power and other support services to Hetch Hetchy Enterprise. The PG&E agreement allows PG&E to review past billings paid by Hetch Hetchy Enterprise and to retroactively adjust these payments to actual backup power, transmission, and other charges as finally determined by PG&E. During fiscal year 2006-2007, Hetch Hetchy Enterprise purchased $17 million of transmission services, backup power, and other support services from PG&E under the terms of the agreement.

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Districts in which they would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments of $3.9 million from the City. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries in the lower Tuolumne River for the duration of the license. A maximum monitoring expense of $1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52% and the Districts are responsible for 48% of the costs.

In April 1988, Hetch Hetchy Enterprise entered into a long-term power sales agreement (the Agreement) with the Districts. The Agreement expires in 2015 and requires that Hetch Hetchy Enterprise provide, as generated, an amount equivalent to the difference between 260 megawatts and the amount required to meet the City's demand. In June 2003, Hetch Hetchy Enterprise amended the terms of the Agreement with the Modesto Irrigation District (MID). Under the terms of the amended and restated long-term power sales agreement, which became effective on January 1, 2003, the expiration date was shortened to December 31, 2007, the existing pricing structure was modified, and Hetch Hetchy Enterprise's firm obligation to provide power to the MID was relaxed. For fiscal year 2006-2007, power sales to the Districts totaled 548,459 MWhrs or $13.9 million.

In December 2002, the City entered into an agreement (the Power Purchase Agreement) with the California Department of Water Resources in anticipation of the settlement and implementation agreements. Under the terms of the Power Purchase Agreement, the California Department of Water Resources has agreed to purchase power and rated capacity.

The City has reached preliminary agreement on terms and conditions, and is in the process of negotiating the final agreement, which is called the Assignment, Construction, Operation, and Reconveyance Agreement.

On January 21, 2003, the City's Board of Supervisors authorized the settlement of a lawsuit filed in January 2001 by the City, on behalf of the people of the State of California (the State), against certain energy companies. Under the terms of the settlement, the City received or is to receive (i) four gas turbine generator sets valued at approximately $33 million for use within the City, (ii) future funding from a State administered fund (the Fund) to assist with the costs of sitting and developing electric generating equipment in the City, and (iii) payment to the City of $0.5 million for attorney's fees and other expenses of litigation.

Effective January 23, 2003, the City entered into an implementation agreement with the Attorney General of the State of California (the Attorney General), the California Consumer Power and Conservation Financing Authority (the Financing Authority), and the California Department of Water Resources, outlining the terms of execution of the settlement agreement.

In conjunction with the execution of the settlement agreement, the Attorney General has received the first $9.3 million from the defendants, and deposited that amount into the Fund. The City has eligible costs incurred in the development of the facility of about $10 million. As of June 30, 2007, the City has requested and received a total of $9.3 million for reimbursement from the Fund. Under the terms of the Agreement, the City only has claim to the proceeds held by the Fund to the extent that eligible costs are incurred in the development of the Facility. As such, the corresponding revenue will be recognized as eligible costs. Hetch Hetchy Enterprise has recognized $2.9 million of revenue from the Fund as of June 30, 2007.

(e) Municipal Transportation Agency

The Municipal Transportation Agency (MTA) is responsible for overseeing the City's public transportation operations, including those of the San Francisco Municipal Railway (MUNI), the San Francisco Municipal Railway Improvement Corporation (SFMRIC), and the Department of Parking and Traffic (DPT), which includes the Parking Authority and its five parking garages operated by separate nonprofit corporations organized by the City. Created in November 1999, with the passage of Proposition E, by the voters, the MTA replaced the San Francisco Public Transportation Commission as the oversight agency for the operations of MUNI and SFMRIC, and effective July 1, 2002, the MTA also assumed responsibility for overseeing the operations of DPT.

The tables below reflect the financial information of MUNI, DPT, and the parking garages that are reported within the MTA (in thousands), net of eliminations for $8.9 million interagency accounts payables and receivables, and revenues and expenses of $18.5 million and transfers of $9.4 million.

	MUNI	DPT	Parking Garages	Eliminations	Total
Assets					
Current assets	$ 215,973	$ 43,293	$ 3,238	$ (8,912)	$ 253,592
Noncurrent assets	1,887,484	31,022	101,860	-	2,020,366
Total assets	2,103,457	74,315	105,098	(8,912)	2,273,958
Liabilities					
Current liabilities	117,783	21,536	27,109	(8,912)	157,516
Liabilities payable from restricted assets	1,456	-	-	-	1,456
Noncurrent liabilities	142,228	47,574	31,892	-	221,694
Total liabilities	261,467	69,110	59,001	(8,912)	380,666
Net assets					
Invested in capital assets, net of related debt	1,846,401	(7,581)	35,915	-	1,874,735
Restricted net assets	23,675	3,562	29,805	-	57,042
Unrestricted net assets (deficit)	(28,086)	9,224	(19,623)	-	(38,485)
Total net assets (deficit)	$ 1,841,990	$ 5,205	$ 46,097	$ -	$ 1,893,292

	MUNI	DPT	Parking Garages	Eliminations	Total
Operating revenues	$ 149,185	$ 30,497	$ 43,215	$ (782)	$ 222,115
Operating expenses	(615,841)	(84,122)	(41,785)	19,336	(722,412)
Net operating income (loss)	(466,656)	(53,625)	1,430	18,554	(500,297)
Nonoperating income (loss)	235,948	26,448	(822)	(18,554)	243,020
Capital contributions	100,954	-	-	-	100,954
Transfers in	214,419	51,222	-	(9,445)	256,196
Transfers out	(3,971)	(13,757)	-	9,445	(8,283)
Change in net assets	80,694	10,288	608	-	91,590
Net assets (deficit) at beginning of year	1,761,296	(5,083)	45,489	-	1,801,702
Net assets (deficit) at end of year	$ 1,841,990	$ 5,205	$ 46,097	$ -	$ 1,893,292

The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of MUNI and DPT determined by the City's budgetary accounting procedures, subject to the appropriation process. The amount of General Fund subsidy to the MTA was $197.1 million ($149.8 million for MUNI and $47.3 million for DPT).

Municipal Railway

MUNI receives capital grants from various federal, state, and local agencies to finance transit related property and equipment purchases. As of June 30, 2007, MUNI had approved capital grants with unused balances amounting to $391 million. Capital grants receivable as of June 30, 2007 totaled $56.7 million.

MUNI also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds and sales tax allocations. As of June 30, 2007, MUNI had various operating grants receivable of $17.4 million.

These capital grants and operating assistance include funds from the San Francisco Transportation Authority (SFCTA). During the year ended June 30, 2007, the SFCTA approved $35 million in new capital grants and $14.1 million in new operating grants for MUNI. During the same period, MUNI received total payments of $41.7 million for capital grants and $19.5 million in operating grants from the Authority. As of June 30, 2007, MUNI had $23.5 million due from the SFCTA for capital grants and $2.4 million due from the SFCTA for operating grants reported in due from other funds.

The State Public Utilities Code requires that fare revenues must equal or exceed 33% of operating costs in order to qualify for an allocation of certain sales tax revenues available for public transit. Transit operators may add local support to fare revenues in order to calculate the fare recovery ratio. The City provides significant local support to MUNI from parking revenues and the General Fund.

MUNI has outstanding contract commitments of approximately $96 million with third parties for various capital projects. Grant funding is available for a majority of this amount. MUNI also has outstanding commitments of approximately $14 million for non-capital expenditures. Various local funding sources are used to finance these expenditures. MUNI is committed to numerous capital projects for which it anticipates that federal and state grants will be the primary source of funding. The San Francisco Municipal Railway Improvement Corporation's (SMFRIC) Board of Directors has authorized SMFRIC to extend financial guarantees to MUNI for certain projects totaling $2.5 million.

Given that the proposed Metro East light Rail Vehicle Maintenance and Operating Facility (Metro East) is an integral part of the Third Street Light Rail Project and is vital for relieving overcrowded conditions at MUNI's existing light rail facility, MUNI identified a 17-acre site of the Western Pacific Railroad under the jurisdiction of the Port of San Francisco (Port) as the best location for the Metro East Facility.

In March 2001, MUNI and the Port entered into a Memorandum of Understanding (MOU) under which MUNI may use the Metro East site in perpetuity for rail vehicle maintenance, operations and other operational needs at a cost of $25.7 million. The MOU also required MUNI to pay the Port an additional $4 million to construct the Illinois Street Bridge over Islais Creek. Construction of this bridge will mitigate traffic in the area and improve coordination with MUNI's Metro East and Third Street Light Rail Project. In the event the Port fails to expend the money toward construction of the bridge within three years after the effective date of the MOU, the Port shall return the $4 million to MUNI. Any such return of funds shall have no effect on the rights granted to MUNI as specified in the MOU. The entire $4 million fund has been expended since 2005. The construction of the Illinois Street Bridge which began in May 2005 was substantially completed on October 31, 2006. The remaining work was completed by December 31, 2006.

Leveraged Lease-Leaseback with BREDA Vehicles

Tranche 1

The Municipal Transportation Agency board of directors authorized the Director of Transportation to solicit proposals regarding a leveraged lease-leaseback transaction involving up to 150 BREDA light rail vehicles. The transaction would not involve financing or procurement of any new vehicles. Rather, MUNI's intention was to obtain an upfront economic benefit in return for entering into a lease-leaseback

transaction involving the Breda light rail vehicles, without impairing the day-to-day operations of the transit system.

In April 2002, MUNI entered into the leveraged lease-leaseback transaction over 118 Breda light rail vehicles (the Tranche 1 Equipment). The transaction was structured as a head lease of the Tranche 1 Equipment to separate special purpose trusts and a sublease of the Tranche 1 Equipment back from such trusts. The sublease provides MUNI with an option to purchase the Tranche 1 Equipment in approximately 27 years, the scheduled completion date of the sublease. During the term of the sublease, MUNI maintains custody of the Tranche 1 Equipment and is obligated to insure and maintain the Tranche 1 Equipment throughout the life of the sublease.

MUNI received an aggregate of $388.2 million from the equity investors in full prepayment of the head lease. MUNI deposited $352.7 million of this head lease payment into two escrows. One escrow was deposited with a debt payment undertaker whose repayment obligations are guaranteed by Financial Security Assurance, an "Aaa/AAA" rated bond insurance company. The other escrow was invested in U.S. government bonds with maturity dates that match the completion of the sublease. Payments under these escrows are to be made at such times and in such amounts so as to fund MUNI's scheduled payments under the sublease as well as to provide a source of funding for MUNI's purchase option if it chooses to exercise it. Although these escrows do not represent a legal defeasance of MUNI's obligations under the sublease, management believes that the creditworthiness of these escrows is such that they will fund MUNI's obligations under the sublease and that the possibility that MUNI will need to access other monies to make sublease payments is remote. Therefore, the trust assets and the sublease obligations are not recorded on the financial statements of MUNI as of June 30, 2007.

As a result of the cash transactions above, MUNI recorded deferred revenue in fiscal year 2001-2002 of $35.5 million for the difference between the amount received of $388.2 million and the amount paid to the escrows of $352.7 million. The deferred revenue will be amortized over the life of the sublease. The deferred revenue amortized amounts were $1.3 million for fiscal year 2006-2007.

As of June 30, 2007, the outstanding payments to be made on the sublease through 2027 are $238.7 million and the payments to be made on the purchase option of the Tranche 1 Equipment would be $643.1 million, if exercised. All of these payments are to be funded from the amounts in escrow. If MUNI does not exercise the purchase option, MUNI would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the "service recipient," under a "service contract," and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

Tranche 2

In September 2003, after obtaining final approval from the Municipal Transportation Agency's Board of Directors and the City's Board of Supervisors, MUNI entered into a second leveraged lease-leaseback transaction over 21 BREDA light rail vehicles (the Equipment). The transaction was structured as a head lease of the Equipment to one separate special purpose trust (formed on behalf of a certain equity investor) and a sublease of the Equipment back from such trust. The sublease provides MUNI with an option to purchase the Equipment in approximately 26 years, the scheduled completion date of the sublease. During the term of the sublease, MUNI maintains custody of the Equipment and is obligated to insure and maintain the Equipment throughout the life of the sublease.

MUNI received an aggregate of $72.6 million from the equity investors in full prepayment of the head lease. MUNI deposited approximately $67.5 million of this head lease payment into two escrows. One escrow was deposited with a debt payment undertaker whose repayment obligations are guaranteed by Financial Security Assurance, an "Aaa/AAA" rated bond insurance company. The other escrow was invested in U.S. government bonds with maturity dates that match the completion of the sublease. Payments under these escrows are to be made at such times and in such amounts so as to fund MUNI's scheduled payments under the sublease as well as to provide a source of funding for MUNI's purchase option if it chooses to exercise it. Although these escrows do not represent a legal defeasance of MUNI's obligations under the sublease, management believes that the creditworthiness of these escrows is such that they will fund MUNI's obligations under the sublease and that the possibility that MUNI will need to access other monies to make sublease payments is remote.

As a result of the cash transactions above, MUNI recorded deferred revenue in fiscal year 2003-2004 of $4.4 million for the difference between the amount received of $72.6 million and the amount paid to the escrows of $67.5 million (minus $0.7 million for certain transaction expenses). The deferred revenue amortized in fiscal year 2006-2007 amounted to $168 thousand.

As of June 30, 2007, the outstanding payments to be made on the sublease through 2029 are $55.5 million and the payments to be made on the purchase option of the Equipment would be $198.5 million, if exercised. All of these payments are to be funded from the amounts in escrow. If MUNI does not exercise the purchase option, MUNI would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the "service recipient," under a "service contract," and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

The data below reflect the operations of the five parking garages operated by separate nonprofit corporations organized by the City, which are under the Parking Authority. Information about these nonprofit corporations for the year ended April 30, 2007 follows (in thousands), including $8.9 million accounts payable to MUNI:

	Downtown Parking	Uptown Parking	Japan Center Garage	Ellis - O'Farrell Parking	Portsmouth Plaza Parking	Total
Operating revenues	$ 15,303	$ 16,629	$ 2,596	$ 5,294	$ 3,393	$ 43,215
Depreciation	804	1,078	224	354	141	2,601
Net operating income	1,004	883	(39)	(474)	56	1,430
Interest and other nonoperating revenues (expenses)	(77)	(723)	-	(59)	37	(822)
Change in net assets	927	160	(39)	(533)	93	608
Capital assets, additions	1,664	190	90	135	49	2,128
Capital assets, deletions	(530)	-	-	-	-	(530)
Net working capital (deficit)	(10,587)	(11,624)	193	(2,993)	1,140	(23,871)
Total assets	32,313	51,070	2,876	15,509	3,330	105,098
Total liabilities	20,859	29,995	462	7,301	384	59,001
Net assets	11,454	21,075	2,414	8,208	2,946	46,097
Total debt outstanding	$ 10,251	$ 18,434	$ 90	$ 4,601	$ -	$ 33,376

(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 fiscal year ended June 30, 2007, the subsidy for LHH was approximately $46.9 million.

Net Patient Services Revenue

Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals, bad debt, and administrative write-offs. These allowances are based on closed account history.

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 fiscal year ended June 30, 2007, LHH's patient receivables and charges for services were as follows:

Patient Receivables, net	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 50,284	$ 3,369	$ 132	$ 53,785
Less:				
Provision for Contractual Allowances	(23,736)	(1,066)	(92)	(24,894)
Recovery for Bad Debt	354	-	-	354
Total, net	$ 26,902	$ 2,303	$ 40	$ 29,245

Net Patient Service Revenue	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue	$ 208,344	$ 13,423	$ 482	$ 222,249
Less:				
Provision for Contractual Allowances	(77,619)	(3,486)	(245)	(81,350)
Provision for Bad Debt	(56)	-	-	(56)
Total, net	$ 130,669	$ 9,937	$ 237	$ 140,843

Deferred Credits and Other Liabilities

As of June 30, 2007, LHH recorded approximately $710,000 in deferred credits and other liabilities, which was comprised of $652,000 in third party settlements payable and $58,000 in deferred revenue.

Replacement Project

The California Hospital Facilities Safety Act (SB 1953) specifies certain requirements that must be met at various dates in order to increase the probability that LHH could maintain uninterrupted operations following major earthquakes. By January 1, 2008, all general acute care buildings must be life safe. By January 1, 2030, all general acute care inpatient buildings must be operational after an earthquake. In December 2001, LHH finalized and submitted a plan to the State of California indicating that the Laguna Honda Hospital Replacement Project will be fully operational by 2013 and thereby in full compliance with the 2030 requirements. A five-year extension for the January 2008 deadline was requested and granted, postponing the deadline to 2013.

In November 1999, San Francisco voters approved Proposition A, a ballot measure authorizing the City to issue general obligation bonds to finance the acquisition, improvement, construction and/or reconstruction of a new health care, assisted living and/or other type of continuing care facility or facilities to replace Laguna Honda Hospital (the Replacement Project). Proposition A requires an increase in property taxes to pay for the bonds. In addition, Proposition A stipulates that $100 million of tobacco settlement funds received by the City, excluding $1 million set aside each year for smoking education and prevention programs, may be used to pay for some construction of the Replacement Project, as well as to offset the cost to property owners of repaying the bonds. As of June 30, 2007, General Obligation Bonds in the amount of $299 million have been sold to fund the Replacement Project. During the fiscal year ended June 30, 2007, LHH recognized $16.8 million in tobacco settlement revenues.

As of June 30, 2007, LHH has entered into various purchase contracts totaling approximately $6.1 million that are related to future construction for the Replacement Project.

Environmental Remediation

LHH received a report initiated by the California Integrated Waste Management Board declaring an old dumpsite on hospital property a "hazardous waste site" under California hazardous waste statute. The San Francisco Department of Public Health, as the local enforcement agency, has been designated to oversee and certify the future abatement of the dumpsite. LHH management has subsequently received a number of estimates to remedy this situation, ranging from approximately $0.8 million to $2.5 million. LHH and the San Francisco Department of Public Health are evaluating the bids submitted. The State has mentioned that this particular hazardous waste site is classified as a low priority considering the other more hazardous waste sites within the State. The specific site has been contained and secured for the safety of the general public.

(g) San Francisco General Hospital Medical Center

General Fund Subsidy

San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2007, the subsidy for SFGH was $130 million.

Net Patient Services Revenue

Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals, bad debt, and administrative write-offs. These allowances are based on closed account history.

Third Party Payor Agreements

SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Medi-cal Hospital/Uninsured Care Demonstration Project and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. SFGH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the fiscal year ended June 30, 2007, SFGH's patient receivables and charges for services were as follows:

Patient Receivables, net	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 111,653	$ 39,805	$ 65,408	$ 216,866
Less:				
Provision for Contractual Allowances	(100,161)	(32,619)	(26,997)	(159,777)
Provision for Bad Debt	-	-	(15,718)	(15,718)
Total, net	$ 11,492	$ 7,186	$ 22,693	$ 41,371

Net Patient Service Revenue	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue	$ 549,327	$ 238,782	$ 485,946	$ 1,274,055
Less:				
Contractual Allowances	(415,124)	(160,232)	(288,563)	(863,919)
Bad Debt Allowance	-	-	(45,925)	(45,925)
Total, net	$ 134,203	$ 78,550	$ 151,458	$ 364,211

California's Medi-cal Hospital/Uninsured Care Demonstration Project (Demonstration) is a new system for paying selected hospitals for hospital care provided to Medi-cal and uninsured patients and replaces funding previously provided through California State Senate Bills 855 and 1255. The Demonstration was negotiated between the State of California's Department of Health Services and the Federal Centers for Medicare and Medicaid Services last year, and covers the period from July 1, 2005 to June 30, 2010. Under the Demonstration, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursement for inpatient hospital services; 2) Disproportionate Share Hospital payments; and 3) distribution from a newly created pool of federal funding for uninsured care, known as the Safety Net Care Pool. The nonfederal share of these three payments will be provided by the public hospitals, primarily through certified public expenditures, whereby the hospital would expend its local funding for services to draw down the federal financial participation. Revenues recognized under the Demonstration approximated $103 million for the fiscal year ended June 30, 2007.

In addition, SFGH was reimbursed by the State of California, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2007, reimbursement under the Short-Doyle Program amounted to approximately $5.8 million and is included in other operating revenue.

Deferred Credits and Other Liabilities

As of June 30, 2007, SFGH recorded approximately $35.6 million in deferred credits and other liabilities, which was comprised of $19.5 million in deferred credits and $16.1 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 $233 million and estimated costs and expenses to provide charity care were $106 million in fiscal year 2006-2007.

Other Non-Operating Revenues

The State of California provides support to SFGH through a realignment of funding provided from vehicle license fees and sales tax allocated to California's counties. SFGH recognized $58.2 million as other non-operating revenue for the year ended June 30, 2007, for realignment funding.

State of California Proposition 99, the Tobacco Tax Initiative, allocates funds to counties for health care services to indigent persons and others who are unable to pay for health care services. Proposition 99 funds allocated to SFGH for the year ended June 30, 2007, amounted to $0.9 million and is included in other non-operating revenue.

Contract with the University of California San Francisco

The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2007, was approximately $91.8 million.

SFGH Rebuild

In 1996, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2013. In January 2001, the San Francisco Health Commission approved a resolution to support a rebuild effort for the hospitals, and the Department of Public Health conducted a series of planning meetings to review its options. It became evident that rebuilding rather than retrofitting was required, and that rebuilding SFGH presented a unique opportunity for the Department of Public Health to make system-wide as well as structural improvements in its delivery of care for patients in 2013 and beyond.

In October 2005, the San Francisco Health Commission accepted the Mayor's Blue Ribbon Committee recommendation to rebuild the hospital at its current Portrero Avenue location. A site feasibility study was concluded in September 2006 and showed a compliant hospital can be built on the west lawn without demolishing the historic buildings or other buildings. An institutional master plan, a hazardous materials assessment, a geotechnical analysis and rebuild space program have all been completed this fiscal year.

(h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise) was established in 1977 pursuant to bond resolutions to account for the City's municipal sewage treatment and disposal system.

Wastewater Enterprise's revenue, which consists mainly of sewer service charges, is pledged for the payment of principal and interest on various outstanding Sewer Revenue Bonds.

As of June 30, 2007, Wastewater Enterprise had outstanding commitments with third parties for capital projects and for materials and services totaling $37.5 million.

(i) San Francisco Market Corporation

The San Francisco Market Corporation is a non-profit corporation organized to acquire, construct, finance, and operate a produce market. The information about this non-profit corporation is presented in the financial statements of the proprietary funds as a non-major fund.

(12) SAN FRANCISCO REDEVELOPMENT AGENCY

The Redevelopment Agency of the City and County of San Francisco (the Agency) is a public body, corporate and politic, organized and existing under the Community Redevelopment Law of the State of California. Since the organization of the Agency in 1948, the Agency has completed four redevelopment project areas and twelve redevelopment areas are now underway. In addition, the Agency has completed a feasibility study on the Mid Market Survey Area and the redevelopment plan has been submitted to the Board of Supervisors for review. Feasibility studies are underway for the Visitation Valley and Bayview Hunters Point Survey Areas designated by the Board of Supervisors.

The Agency acts as the lead Agency for the City in administering the Housing Opportunities for Persons with AIDS (HOPWA) program, which is a program funded by a grant from the U.S. Department of Housing and Urban Development.

In 1998, the Board of Supervisors approved ordinances and resolutions adopting the Mission Bay North and South Redevelopment Plans, Interagency Cooperation Agreements, Tax Allocation Agreements, and related ordinances and resolutions. The two project areas total 303 acres. In June 2005, the Board of Supervisors approved ordinance to adopt the Transbay project area as a new redevelopment area which consists of 40 acres and is located south of the San Francisco financial district. The project area is bounded by Mission Street in the north, Main Street in the east, Folsom Street in the south and Second Street in the west. The future development of a new transit terminal and a concept plan which includes high-density, transit-oriented residential development are the highlights of this project.

In May 2006, the Board of Supervisors approved an amendment to the Hunters Point Redevelopment Project Area to include two distinct geographic areas: the existing Hunters Point Redevelopment Area and an additional 1361 acres. The new project name is now "Bayview Hunters Point Redevelopment Area". The Redevelopment Plan became effective September 2006.

The Agency has no direct taxing power and does not have the power to pledge the general credit or taxing power of the City, the State of California or any political subdivision thereof. However, California's Health and Safety Code allows redevelopment agencies with appropriate approvals of the local legislative bodies to recover costs of financing public improvements from increased tax revenues (tax increment) associated with increased property values of individual project areas. During the year, the Agency's revenue from property tax increment was $74.5 million.

The Public Initiatives Development Corporation (PIDC) was formed in May of 2002 to develop affordable housing on the Agency's behalf. On November 12, 2004, PIDC and Wincopin Circle, LLLP formed a limited partnership, Plaza Apartments Associates, L.P. (the partnership). PIDC is the managing general partner and owns a 0.01% interest in the partnership. Wincopin Circle, LLLP is a limited partner and owns a 99.99% interest. Wincopin Circle, LLLP transferred its interest in the Partnership to the Housing Outreach Fund XL Limited Partnership, effective December 24, 2004. The Partnership completed construction of a 106-unit affordable housing project in the South of Market project area in January 2006. As of June 30, 2007, 100% of the units were leased. The Agency reports the investment in the Partnership under the equity method, based on the value of the assets and liabilities transferred to the Partnership.

In August 2006, the Authority issued $50.7 million in Taxable Tax Allocation Revenue Bonds Series 2006 Series A (2006 Series A Bonds); and $34.5 million in Tax Allocation Revenue Bonds Series B (2006 Series B Bonds). These bonds are secured by a pledge of the Agency's share of certain property tax revenue derived from related project areas.

The 2006 Series A Bonds consist of $19.9 million in serial bonds that mature through August 1, 2036 with interest rates ranging from 5.618% to 6.185% and $30.8 million in capital appreciation bonds that mature through August 1, 2036 with interest rates ranging from 5.93% to 6.06%. The net proceeds from the 2006 Series A Bonds will be used to finance the construction, rehabilitation and preservation of low-income housing and for general redevelopment purposes.

The net proceeds from the 2006 Series B Bonds, will be used to finance certain public infrastructure improvements and other redevelopment activities in the Mission Bay North Project Area. These bonds mature through August 1, 2036 with interest rates ranging from 4% to 5%.

In order to facilitate construction and rehabilitation in the City, various construction loan notes, promissory notes, community district facility bonds and mortgage revenue bonds with an aggregate outstanding balance of approximately $644 million as of June 30, 2007 have been issued by the Agency on behalf of various developer and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Agency or the City and are therefore not included in the accompanying financial statements. Debt service payments will be made by developers or property owners.

California Health and Safety Code Section 33334.3 requires the Agency to set aside 20% of the proceeds from its incremental property tax revenues for expenditures for low and moderate income housing. Related interest earned on these funds must also be set aside for such purposes. The Agency established a Low and Moderate Income Housing Fund to account for this commitment and has reserved $427 million for such expenditures since its inception. The Agency has expended $310 million for low- and moderate-income housing since its inception.

The Agency had commitments under contracts for capital improvements of approximately $62.6 million as of June 30, 2007.

(13) TREASURE ISLAND DEVELOPMENT AUTHORITY

The Treasure Island Development Authority (TIDA) is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997 and designated as a redevelopment agency pursuant to Community Redevelopment Law of the State of California. The TIDA is governed by seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. 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 mission of TIDA is to redevelop the former Naval Station Treasure Island and to manage its integration with the City in compliance with federal, state and City guidelines (including the California Tidelands Trust) to maximize revenues to the City's General Fund; to create new job opportunities for San Francisco residents, including assuring job opportunities for homeless and economically

disadvantaged residents; to increase recreational and bay access venues for San Francisco and Bay Area residents; and to promote the welfare and well being of the citizens of San Francisco.

The services provided by TIDA include negotiating the acquisition of former Naval Station Treasure Island with the U.S. Navy and establishing the Treasure Island Redevelopment Project; renting Treasure Island facilities leased from the U.S. Navy to generate revenues sufficient to cover operating costs; maintaining Treasure Island facilities owned by the U.S. Navy which are not leased to the TIDA or the City; providing facilities for special events, film production and other commercial business uses; providing 1,000 housing units; and overseeing the U.S. Navy's toxic remediation activities on the former naval base.

During fiscal year 2002-2003, TIDA received Navy agreement to initiate the process of early transfer and entered an exclusive negotiating agreement with a private developer for the redevelopment of the former naval base. TIDA completed an Environmental Impact Report (EIR) for the transfer in June 2006.

(14) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City's pooled cash. The composition of interfund balances as of June 30, 2007, is as follows (in thousands):

Due to/from other funds (in thousands):

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	$ 7,678
	San Francisco International Airport	2
	Water Enterprise	4,815
	Laguna Honda Hospital	17,620
		30,115
Nonmajor Governmental Funds	Nonmajor Governmental Funds	5,066
	Internal Service Funds	3,576
	Municipal Transportation Agency	7,976
	San Francisco International Airport	26
		16,644
San Francisco Water Enterprise	Nonmajor Governmental Funds	63
	Municipal Transportation Agency	145
		208
Hetch Hetchy Water and Power Enterprise	General Fund	1,247
	Nonmajor Governmental Funds	11,701
	General Hospital Medical Center	2,085
		15,033
Municipal Transportation Agency	General Fund	25
	Nonmajor Governmental Funds	25,455
	Internal Service Funds	87
		25,567
Total		$ 87,567

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary government - governmental	Component Unit - San Francisco Redevelopment Agency	$ 6,665
Hetch Hetchy Water and Power Enterprise	Component Unit - Treasure Island Development Authority	$ 2,599

Transfers In (in thousands):

Transfers Out: Funds	Funds: General Fund	Nonmajor Governmental	Internal Service Funds	Governmental Activities	Municipal Transportation Agency	San Francisco General Hospital Medical Center	Laguna Honda Hospital	Total
General Fund	$ -	$ 111,839	$ 550	$ -	$ 197,064	$ 130,224	$ 46,923	$ 486,600
Nonmajor governmental funds	6,029	25,836	-	-	59,132	-	91,250	182,247
San Francisco International Airport	23,348	-	-	-	-	-	-	23,348
San Francisco Water Enterprise	9,900	35	-	(172)	-	-	-	9,763
Municipal Transportation Agency	-	8,283	-	-	-	-	-	8,283
San Francisco General Hospital Medical Center	32,000	-	-	-	-	-	193	32,193
San Francisco Wastewater Enterprise	-	28	-	-	-	-	-	28
Total transfers out	$ 71,277	$ 146,021	$ 550	$ (172)	$ 256,196	$ 130,224	$ 138,366	$ 742,462

The $486.6 million General Fund transfer out includes a total of $374.2 million in operating subsidies to the Municipal Transportation Agency, San Francisco General Hospital Medical Center, and Laguna Honda Hospital (note 11). The transfers of $111.8 million from the General Fund to the nonmajor governmental funds are to provide support to various City programs such as the Public Library and the Children and Families Fund, as well as to provide resources for the payments of debt service. The transfers between the nonmajor governmental funds are to provide support for various City programs and to provide resources for the payment of debt service.

The General Fund received transfers in of $32 million from the San Francisco General Hospital Medical Center for the SB 855 matching program reimbursement (note 11(g)), and $23.3 million from the San Francisco International Airport, representing a portion of concession revenue (note 11 (a)). The $59.1 million transferred to Municipal Transportation Agency from nonmajor governmental funds represented capital and operating transfers from the San Francisco Transportation Authority. The $91.2 million transfer from nonmajor governmental funds to Laguna Honda Hospital is for capital transfers funded by the Laguna Honda Hospital General Obligation Bond in the City Facilities Improvement Fund.

In fiscal year 2006-2007, a building with a net book value of $0.2 million was transferred from governmental activities to the Water Enterprise.

(15) COMMITMENTS AND CONTINGENT LIABILITIES

(a) Grants and Subventions

Receipts from federal and state grants and other similar programs are subject to audit to determine if the monies were expended in accordance with appropriate statutes, grant terms and regulations. The City believes that no significant liabilities will result.

(b) Operating Leases

The City has noncancellable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Primary Government

Governmental Activities

Fiscal Years		
2008...........	$	23,094
2009...........		16,705
2010...........		15,071
2011...........		10,558
2012...........		8,615
2013-2017....		4,104
Total...........	$	78,147

Operating lease expense incurred for fiscal year 2006-2007 was approximately $26.7 million.

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	Municipal Transportation Agency (MTA)	San Francisco General Hospital Medical Center (SFGH)	Total Business-type Activities
2008..............	$ 5,639	$ 3,105	$ 6,402	$ 6,797	$ 21,943
2009..............	4,559	3,105	6,333	2,989	16,986
2010..............	79	3,105	6,319	2,682	12,185
2011..............	75	3,105	6,367	1,237	10,784
2012..............	75	3,105	6,492	380	10,052
2013-2017.......	-	15,301	34,856	-	50,157
2018-2022.......	-	14,730	39,514	-	54,244
2023-2027.......	-	14,730	45,387	-	60,117
2028-2032.......	-	14,730	52,807	-	67,537
2033-2037.......	-	14,730	-	-	14,730
2038-2042.......	-	14,730	-	-	14,730
2043-2047.......	-	14,730	-	-	14,730
2048-2052.......	-	6,138	-	-	6,138
Total..............	$ 10,427	$ 125,344	$ 204,477	$ 14,085	$ 354,333

Operating lease expense incurred for the Airport, Port, MTA, and SFGH for fiscal year 2006-2007 was $5.3 million, $3.0 million, $5.6 million, and $4.4 million, respectively.

Component Unit – San Francisco Redevelopment Agency

The San Francisco Redevelopment Agency (The Agency) has noncancellable operating leases for its office sites, which require the following minimum annual payments (in thousands):

Fiscal Years		
2008............	$	1,797
2009............		1,797
2010............		1,775
2011.............		1,775
2012...............		1,775
2013-2017........		8,876
2018-2022........		4,515
2023-2027........		4,119
2028-2032........		4,119
2033-2037........		4,119
2038-2042........		4,119
2043-2047........		4,119
2048-2052........		2,677
Total...............	$	45,582

Rent payments totaling $1.7 million are included in the Agency's financial statements for the year ended June 30, 2007.

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments (in thousands):

Primary Government

Governmental Activities

Fiscal Years		
2008............	$	1,414
2009............		1,339
2010.............		1,127
2011.............		702
2012...............		598
2013-2017........		2,090
2018-2022........		710
2023-2027........		210
Total..............	$	8,190

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	San Francisco General Hospital Medical Center	Municipal Transportation Agency	Market Corp	Total Business-type Activities
2008	$ 77,829	$ 27,550	$ 1,518	$ 2,496	$ 842	$ 110,235
2009	68,103	24,964	1,579	2,391	820	97,857
2010	53,676	21,900	1,642	2,222	781	80,221
2011	37,528	18,894	1,708	1,819	764	60,713
2012	17,919	18,262	1,776	1,371	753	40,081
2013-2017	-	79,933	1,847	3,321	861	85,962
2018-2022	-	67,936	-	-	-	67,936
2023-2027	-	54,743	-	-	-	54,743
2028-2032	-	49,331	-	-	-	49,331
2033-2037	-	44,740	-	-	-	44,740
2038-2042	-	30,310	-	-	-	30,310
2043-2047	-	21,821	-	-	-	21,821
2048-2052	-	14,992	-	-	-	14,992
2053-2057	-	7,900	-	-	-	7,900
2058-2062	-	7,023	-	-	-	7,023
2063-2067	-	6,709	-	-	-	6,709
2068-2072	-	4	-	-	-	4
Total	$ 255,055	$ 497,012	$ 10,070	$ 13,620	$ 4,821	$ 780,578

Certain of the Airport's rental agreements with concessionaires 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 were approximately $14.9 million in fiscal year 2006-2007.

Component Unit – San Francisco Redevelopment Agency

The Agency leases various facilities within the Yerba Buena Center, Western Addition and Hunters Point areas. The minimum annual payments are as follows (in thousands):

Fiscal Years	
2008	$ 4,548
2009	4,583
2010	4,633
2011	4,662
2012	4,485
2013-2017	22,474
2018-2022	21,917
2023-2027	21,666
2028-2032	23,392
2033-2037	22,578
2038-2042	20,775
2043-2047	18,843
2048-2052	2,302
2053-2057	470
2058-2062	400
2063-2067	385
2068-2072	257
2073-2077	218
2078-2082	150
2083-2087	150
2088-2092	150
2093-2097	150
2098-2102	8
Total	$ 179,196

(c) Other Lease Commitments

The City is making lease payments to the Agency for the Moscone Convention Center in the amount of approximately $19 million per year through July 1, 2024. The lease payments are intended to approximate the debt service requirements of the corresponding lease revenue bonds that were issued by the Agency to finance the construction and expansion of the Moscone Convention Center which are recorded as a long term obligation of the Agency. Together with financing from the City through appropriation of a portion of the hotel tax and through the issuance of lease revenue bonds by the Finance Corporation, the total cost of approximately $371.4 million was included in the City's asset class of facilities and improvements.

The City is also making lease payments to outside lessors for various telecommunication and information equipment through an internal service fund.

Amounts to be provided for capital leases are as follows (in thousands):

Fiscal Years	Moscone Convention Center	Other	Total
2008	$ 18,571	$ 1,147	$ 19,718
2009	18,640	1,084	19,724
2010	18,717	1,011	19,728
2011	18,794	-	18,794
2012	18,873	-	18,873
2013-2017	94,841	-	94,841
2018-2022	48,078	-	48,078
2023-2027	9,689	-	9,689
Total minimum lease payments	246,203	3,242	249,445
Less amounts representing interest	(63,450)	(259)	(63,709)
Present value of maximum lease payments	$ 182,753	$ 2,983	$ 185,736

(d) Other Commitments

The Retirement System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately $1.2 billion at June 30, 2007.

The City is a participant in the Peninsula Corridor Joint Powers Board (PCJPB), which was formed in 1991 to plan, administer, and operate the Peninsula CalTrain rail service. The City, on behalf of MUNI, is responsible for 11.6% of the net operating costs and administrative expenses of the PCJPB for operating and capital needs. During the fiscal year ended June 30, 2007, the City contributed approximately $6.8 million to the PCJPB. This is paid by MTA from the subsidy transfer it receives from the City.

The San Francisco Redevelopment Agency (the Agency) provides standby payment agreements in conjunction with its issuance of Mortgage Revenue Bonds wherein the Department of Housing and Urban Development (HUD) guarantees Housing Assistance Payments (HAP) subsidized under Section 8 for multifamily residential facilities. If the HAP contract expires and is not renewed or is substantially reduced, the Agency will be required to pay the difference. The estimated maximum obligation until June 30, 2019 over the terms of all standby payment agreements is $48.6 million. As of June 30, 2007, management has designated $4.9 million for standby payment agreements. It is management's intent to designate 10% of the estimated maximum obligation.

(16) RISK MANAGEMENT

Risk Retention Program Description

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for Municipal Railway); 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 $750 million, subject to a deductible of $10,000 per single occurrence and commercial property insurance coverage for full replacement value on all facilities owned by the Airport subject to a deductible of $0.5 million per single occurrence. Additionally, tenants and contractors on all contracts are required to carry commercial general liability insurance in various amounts naming the Airport as additional insured. The SFO does not carry insurance for losses due to seismic activity and losses for war, terrorism and hijacking. The Airport carries public official liability and employer's liability coverage of $5 million, subject to deductible of $100,000 per single occurrence for each wrongful act other than employment practices' violations, and $200,000 per each occurrence for employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment and watercraft liability for Airport fire and rescue vessels. The Port carries commercial insurance for all risks of loss except workers' compensation, property damage to Port-owned vehicles and employee health and accident. The Port's property insurance does not cover losses due to seismic events. Additionally, limited insurance coverage is maintained by the City for the Moscone Convention Center property, personal liability, and for art at City-owned museums.

The San Francisco Redevelopment Agency is a member of the Bay Cities Joint Powers Authority which provides coverage for its general liability, automobile liability, and public officials' errors and omissions risks with combined single limits of $20 million per occurrence and a deductible of $50,000 self-insurance retention per occurrence.

Any claims relating to the construction of the Moscone Convention Center are indemnified by the City under an agreement between the Redevelopment Agency and the City.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Expenditures and liabilities for all workers' compensation claims and other estimated claims payable are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other legal and economic factors. The recorded liabilities have not been discounted.

Estimated Claims Payable

Numerous lawsuits related to the governmental fund types are pending or threatened against the City. The City's liability as of June 30, 2007 has been actuarially determined and includes an estimate of incurred but not reported losses.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

Changes in the reported estimated claims payable since June 30, 2005, resulted from the following activity (in thousands):

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2005-2006	$ 152,255	$ 38,053	$ (43,048)	$ 147,260
2006-2007	147,260	84,049	(38,369)	192,940

Breakdown of the estimated claims payable at June 30, 2007 is as follows (in thousands):

Governmental Activities:	
Current portion of estimated claims payables	$ 52,527
Long-term portion of estimated claims payable	61,904
Business-type activities:	
Current portion of estimated claims payables	21,486
Long-term portion of estimated claims payable	57,023
Total	$ 192,940

During the year ended June 30, 2007, the Retirement System was involved in one class action type lawsuit filed by the Veteran Police Officers Association (VPOA). This lawsuit involves issues related to "final compensation" as defined by the Plan. The VPOA lawsuit alleges that the Retirement System should include Police Officer Standard Training (POST) pay in pension calculations for those police officers who retired prior to the creation of the POST ranks. The Retirement System was successful in defending the VPOA lawsuit in the trial court and on appeal. The California Supreme Court did not rule on VPOA's Petition for Review before June 30, 2007; its denial was issued thereafter.

The Retirement System was a plaintiff in three securities fraud cases. The first lawsuit, against Enron Corporation, its officers and its accountants, was resolved during the year ended June 30, 2007. The Retirement System was unsuccessful in recovering on its claims. In the second case, the Retirement System joined a coalition of government pension funds in a securities fraud suit against various investment banks for losses relating to WorldCom bonds. The third securities fraud is an "opt out" case against Qwest Corporation. The WorldCom and Qwest cases are still in the preliminary stage and it is premature to determine the amount of recovery for the Retirement System in these matters.

The Retirement System is involved in various other petitions, lawsuits, and threatened lawsuits relating to individuals' benefits due under the Retirement System which management does not expect to have a material impact on the net assets available for pension benefits. The results of such actions are included in the Retirement System's experience factors used in its actuarial valuations and, accordingly, are eventually considered in establishing the City and County's required annual contributions.

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2007 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, 2007 was $341.1 million which is reported in the appropriate individual funds in accordance with the City's accounting policies (note 2).

Changes in the reported accrued workers' compensation since June 30, 2005, resulted from the following activity (in thousands):

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2005-2006	$ 391,428	$ 44,863	$ (72,156)	$ 364,135
2006-2007	364,135	43,753	(66,760)	341,128

Breakdown of the accrued workers' compensation liability at June 30, 2007 is as follows (in thousands):

Governmental Activities:	
Current portion of accrued workers' compensation liability.........	$ 38,963
Long-term portion of accrued workers' compensation liability.....	155,726
Business-type activities:	
Current portion of accrued workers' compensation liability.........	30,829
Long-term portion of accrued worker's compensation liability.....	115,610
Total..	$ 341,128

(17) SUBSEQUENT EVENTS

Long-term Debt

As of August 2007, the Uptown Parking Corporation (the Corporation) learned that a lawsuit had been brought against them by a group who states that the Union Square Garage design discriminates against people with disabilities. This matter has been directed to the Corporation's attorneys. While it is too early to ascertain whether a probable outcome would be in the Corporation's favor or not, there is a possibility that the Corporation would have to redesign the facilities at Union Square Garage to better serve the disabled.

In October 2007, the San Francisco Finance Corporation issued Lease Revenue Bonds Series 2007 (Open Space Fund -Various Park Projects) in the amount of $42.4 million. The proceeds of the bonds will be used to finance the design, construction and renovation of the various parks of the City. Interest rates ranges from 3.75% to 5.875%. The bonds begin to mature in July 2008 through July 2029.

In October 2007, the City initiated the second borrowing from the Credit Agreement with Bank of America, N.A. in the amount of $3.8 million under the Seismic Safety Loan Program. The borrowing was authorized by Resolution No. 65-07 by the Board of Supervisors. The Seismic Safety Loan Program was approved by the voters of the City and County of San Francisco by Proposition "A" in November 1992 which authorized the issuance of $350 million aggregate principal amount of general obligation bonds to provide funds for loans to finance the seismic strengthening of unreinforced masonry buildings within the City. The second borrowing is for below market rate loan accounts and bears interest of 5.83% with principal amortizing from June 2008 to June 2027. Debt service payments are funded through ad valorem taxes on property.

In November 2007, the San Francisco Redevelopment Agency issued $118.3 million in 2007 Series A Taxable Tax Allocation Revenue Bonds (2007 A Bonds) and $94.1 million in 2007 Series B Tax Allocation Revenue Refunding Bonds (2007 B Bonds). The proceeds from the 2007 A Bonds will be used for general redevelopment purposes, including financing the development, rehabilitation and preservation of low and moderate income housing.

The 2007 Series B Bonds were issued for the purpose of refunding the entire 1999 Series A and 1999 Series B Tax Allocation Revenue Refunding Bonds, as well as the 2000 Series A and 2001 Series A Tax Allocation Revenue Bonds.

Elections

On November 6, 2007, the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Measure A: Charter amendment that continues the existing service and performance standards for Muni, and expands MTA's authority over its operations and additional funding. Various Charter amendments will be made to MTA in regards to Funding/Budget, Governing Authority, Labor and Personnel, Parking and Traffic, and Greenhouse Gas Emissions Reduction.

Fiscal impact: The cost of government beginning in fiscal year 2008-2009 would direct approximately $26 million from the General Fund to the MTA. This amount is a share of the General Fund measured by 40% of the revenue from the City's parking tax, and would be added to an equal amount that the MTA already receives. Future revenue growth from changes in parking policies and parking fine amounts will be dedicated to the MTA.

Measure F: Authorizes the Board of Supervisors to amend the contract with CalPERS to allow police department employees who served as airport police officers before December 27, 1997, to end their participation in CalPERS and move their service credit to SFERS even if it costs the City additional money.

Fiscal impact: The cost of government is estimated to increase by $670 thousand, due to allowing the Board of Supervisors to enter into a contract between the City and CalPERS at a cost of the City of up to $670 thousand. A majority of the cost would likely be borne by the Airport, and any cost above that limit would have to be paid by the employees themselves.

Measure G: Establishes a Golden Gate Park Stables Matching Fund to be used for renovation, repair and maintenance of the Golden Gate Park stables and provide up to $750 thousand in matching funds toward this Fund.

Fiscal impact: The cost of government is estimated to increase by $750 thousand total over the period between April 1, 2008 and March 31, 2009.

Measure I: Establishes the Office of Small Business as a City Department. The Office would assist businesses with 100 or fewer full-time employees by providing information on requirements, bidding on government contracts, compliance with applicable laws and regulations, and adoption of "green" and sustainable business practices.

Fiscal impact: The cost of government is estimated to increase by $750 thousand in fiscal year 2007-2008 to fund a proposed City Office of Small Business and Small Business Assistance Center beginning in January 2008.

Required Supplementary Information

Photo by Bob Ecker, San Francisco Convention & Visitors Bureau

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information - Historical Pension Data (Unaudited)

Employees' Retirement System - Analysis of Funding Progress

Historical trend information is presented.

Schedule of funding progress for the Employees' Retirement System (In thousands):

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Over-funded AAL (OAAL)	Funded Ratio	Covered Payroll	OAAL as a % of Covered Payroll
7/1/2004	$ 11,299,997	$ 10,885,455	$ 414,542	103.8%	$ 2,155,252	19.2%
7/1/2005	12,659,698	11,765,737	893,961	107.6%	2,052,862	43.5%
7/1/2006	13,597,646	12,515,463	1,082,183	108.7%	2,161,261	50.1%

California Public Employees' Retirement System - Analysis of Funding Progress

Historical trend information is presented.

Schedule of funding progress for PERS (In thousands):

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Over (Under) funded AAL (OAAL)	Funded Ratio	Covered Payroll	OAAL as a % of Covered Payroll
06/30/02:						
Misc.	$ 31,897	$ 21,889	$ 10,008	145.7%	$ 1,150	870.3%
Safety	430,019	417,394	12,625	103.0%	71,716	17.6%
Total	$ 461,916	$ 439,283	$ 22,633	105.2%	$ 72,866	31.1%
06/30/03: (1)						
Safety	$ 442,850	$ 458,152	$ (15,302)	96.7%	$ 79,093	-19.3%
06/30/04: (1)						
Safety	$ 476,176	$ 493,373	$ (17,197)	96.5%	$ 79,634	-21.6%

NOTES:

(1) There is a new pooled report format for the Miscellaneous First Tier Plan of the City and County of San Francisco for Miscellaneous 2% at 55 Risk Pool. Since this plan had less than 199 active members as of June 30, 2003, PERS changed the plan from an agent multiple employer plan to a cost-sharing multiple-employer plan. As such, funding status is no longer required to be disclosed.

Combining Financial Statements and Schedules

Photo by Phil Coblentz, San Francisco Convention & Visitors Bureau

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

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.

Children and Families Fund -- Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

Community/Neighborhood Development Fund -- Accounts for various grants primarily from the Department of Housing and Urban Development to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

Community Health Services Fund -- Accounts for state and federal grants used to promote public health and mental health programs.

Convention Facilities Fund -- Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

Court's Fund -- Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

Culture and Recreation Fund -- Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

Environmental Protection Fund – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

(Continued)

SPECIAL REVENUE FUNDS *(Continued)*

Gasoline Tax Fund -- Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

General Services Fund -- Accounts for the activities of several non-grant activities, generally established by administrative action.

Gift Fund -- Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

Golf Fund -- Accounts for the revenue and expenditures related to the City's six golf courses.

Human Welfare Fund -- Accounts for state and federal grants used to promote education and discourage domestic violence.

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.

(Continued)

SPECIAL REVENUE FUNDS *(Continued)*

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 revenues from the allocation of one-fifth of the parking tax receipts and for grants from the state 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 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 transfers of Base Rental payments from the various COP 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 of two nonprofit corporations (Social Services Corporation and San Francisco Stadium, Inc.) and business tax settlement bonds.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used 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.

(Continued)

CAPITAL PROJECTS FUNDS *(Continued)*

Earthquake Safety Improvement Fund -- Accounts for bond proceeds, Federal/State grants and private gifts which are designated for earthquake facilities improvements to various City buildings and facilities. Expenditures for construction are made in accordance with bond requirements and grant regulations.

Fire Protection Systems Improvement Fund -- Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

Moscone Convention Center Fund -- Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

Public Library Improvement Fund -- Accounts for bond proceeds and private gifts which are designated for construction of public library facilities including a new main library. Expenditures for construction are made in accordance with bond requirements and private funds agreements.

Recreation and Park Projects Fund -- Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

Street Improvement Fund -- Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Bequest Fund -- Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

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CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007
(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	$ 494,146	$ 39,620	$ 308,952	$ 6,503	$ 849,221
Deposits and investments outside City Treasury	7,318	15,136	29,010	54	51,518
Receivables:					
Property taxes and penalties	4,635	6,695	-	-	11,330
Other local taxes	15,049	-	-	-	15,049
Federal and state grants and subventions	61,733	-	15,518	-	77,251
Charges for services	7,983	-	374	-	8,357
Interest and other	8,717	1,368	4,875	81	15,041
Due from other funds	8,924	-	7,720	-	16,644
Due from component unit	-	-	958	-	958
Loans receivable (net of allowance for uncollectibles)	64,504	-	-	-	64,504
Deferred charges and other assets	1,751	-	38	-	1,789
Total assets	$ 674,760	$ 62,819	$ 367,445	$ 6,638	$ 1,111,662
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 51,665	$ 62	$ 30,668	$ 29	$ 82,424
Accrued payroll	11,500	-	1,115	13	12,628
Deferred tax, grant and subvention revenues	15,661	5,663	1,575	-	22,899
Due to other funds	36,856	-	13,107	-	49,963
Deferred credits and other liabilities	74,640	6,653	1,977	-	83,270
Bonds, loans, capital leases and other payables	150,000	-	-	-	150,000
Total liabilities	340,322	12,378	48,442	42	401,184
Fund balances:					
Reserved for assets not available for appropriation	18,362	-	997	54	19,413
Reserved for debt service	858	50,441	-	-	51,299
Reserved for encumbrances	87,759	-	201,098	91	288,948
Reserved for appropriation carryforward	172,010	-	117,281	2,943	292,234
Reserved for subsequent years' budgets	8,004	-	-	-	8,004
Unreserved (deficit)	47,445	-	(373)	3,508	50,580
Total fund balances	334,438	50,441	319,003	6,596	710,478
Total liabilities and fund balances	$ 674,760	$ 62,819	$ 367,445	$ 6,638	$ 1,111,662

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2007
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund — Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	$ 98,445	$ 121,729	$ -	$ -	$ 220,174
Business taxes	835	-	-	-	835
Other local taxes	128,129	-	-	-	128,129
Licenses, permits and franchises	7,789	-	-	-	7,789
Fines, forfeitures and penalties	4,151	-	-	-	4,151
Interest and investment income	27,986	4,370	21,080	321	53,757
Rents and concessions	31,682	786	675	901	34,044
Intergovernmental:					
Federal	192,129	-	5,986	-	198,115
State	87,386	649	14,883	-	102,918
Other	1,873	-	13,816	-	15,689
Charges for services	147,182	-	193	-	147,375
Other	20,385	-	1,907	95	22,387
Total revenues	747,972	127,534	58,540	1,317	935,363
Expenditures:					
Current:					
Public protection	56,481	-	-	-	56,481
Public works, transportation and commerce	215,723	-	-	-	215,723
Human welfare and neighborhood development	171,749	-	-	181	171,930
Community health	99,675	-	-	-	99,675
Culture and recreation	191,547	-	-	596	192,143
General administration and finance	9,524	-	-	-	9,524
General City responsibilities	698	-	-	-	698
Debt service:					
Principal retirement	11	98,158	-	-	98,169
Interest and fiscal charges	31	70,523	712	-	71,266
Bond issuance costs	406	1,150	2,127	-	3,683
Capital outlay	-	-	283,370	-	283,370
Total expenditures	745,845	169,831	286,209	777	1,202,662
Excess (deficiency) of revenues over (under) expenditures	2,127	(42,297)	(227,669)	540	(267,299)
Other financing sources (uses):					
Transfers in	93,749	37,770	14,502	-	146,021
Transfers out	(78,372)	(2,515)	(101,018)	(342)	(182,247)
Issuance of bonds and loans					
Face value of bonds issued	2,000	157,255	153,700	-	312,955
Face value of loans issued	141	-	-	-	141
Premium on issuance of bonds	-	3,521	-		3,521
Discount on issuance of bonds	-	-	(1,856)	-	(1,856)
Payment to refunded bond escrow agent	-	(159,610)	-	-	(159,610)
Other financing sources-capital leases	968	-	3,576	-	4,544
Total other financing sources (uses)	18,486	36,421	68,904	(342)	123,469
Net change in fund balances	20,613	(5,876)	(158,765)	198	(143,830)
Fund balances at beginning of year	313,825	56,317	477,768	6,398	854,308
Fund balances at end of year	$ 334,438	$ 50,441	$ 319,003	$ 6,596	$ 710,478

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue

June 30, 2007

(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund	Cultural and Recreation Fund	Environmental Protection Fund
ASSETS								
Deposits and investments with City Treasury	$ 26,111	$54,961	$ 80,957	$ 13,437	$ 22,392	$ 2,619	$ 4,663	$ 324
Deposits and investments outside City Treasury	214	-	2,470	2	-	-	17	-
Receivables:								
Property taxes and penalties	-	1,738	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Federal and state grants and subventions	-	3,813	6,850	21,760	-	-	962	804
Charges for services	107	10	-	5	189	277	139	-
Interest and other	309	775	924	121	-	36	36	1
Due from other funds	-	-	-	-	-	-	-	286
Loans receivable (net of allowance for uncollectibles)	282	-	64,222	-	-	-	-	-
Deferred charges and other assets	-	-	446	-	-	-	-	-
Total assets	$ 27,023	$61,297	$ 155,869	$ 35,325	$ 22,581	$ 2,932	$ 5,817	$ 1,415
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 1,047	$11,962	$ 4,013	$ 14,369	$ 2,176	$ 161	$ 474	$ 481
Accrued payroll	1,223	604	439	1,124	21	-	124	24
Deferred tax, grant and subvention revenues	-	1,441	175	2,432	-	-	13	806
Due to other funds	-	-	-	54	-	-	-	-
Deferred credits and other liabilities	7,540	1,759	49,080	2,000	2,334	-	200	-
Bonds, loans, capital leases and other payables	-	-	-	-	-	-	-	-
Total liabilities	9,810	15,766	53,707	19,979	4,531	161	811	1,311
Fund balances:								
Reserved for assets not available for appropriation	-	-	17,628	-	-	-	-	-
Reserved for debt service	-	-	-	-	-	-	-	
Reserved for encumbrances	1,295	7,132	28,860	9,453	1,388	116	379	739
Reserved for appropriation carryforward	10,633	27,135	57,333	7,289	9,754	278	3,638	149
Reserved for subsequent years' budgets	-	8,000	-	-	-	-	4	-
Unreserved (deficit)	5,285	3,264	(1,659)	(1,396)	6,908	2,377	985	(784)
Total fund balances	17,213	45,531	102,162	15,346	18,050	2,771	5,006	104
Total liabilities and fund balances	$ 27,023	$61,297	$ 155,869	$ 35,325	$ 22,581	$ 2,932	$ 5,817	$ 1,415

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue *(Continued)*

June 30, 2007

(In Thousands)

	Gasoline Tax Fund	General Services Fund	Gift Fund	Golf Fund	Human Welfare Fund	Open Space and Park Fund	Public Library Fund
ASSETS							
Deposits and investments with City Treasury	$ 6,935	$ 4,557	$ 6,051	$ 1,833	$ -	$ 26,185	$29,728
Deposits and investments outside City Treasury	-	-	469	-	-	-	-
Receivables:							
Property taxes and penalties	-	-	-	-	-	1,448	1,449
Other local taxes	-	-	-	-	-	-	-
Federal and state grants and subventions	1,920	-	44	-	6,845	-	-
Charges for services	55	1,771	1	485	-	-	-
Interest and other	136	506	19	31	40	308	303
Due from other funds	-	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Deferred charges and other assets	-	-	-	-	-	-	-
Total assets	$ 9,046	$ 6,834	$ 6,584	$ 2,349	$ 6,885	$ 27,941	$31,480
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 169	$ 1,164	$ 257	$ 491	$ 1,057	$ 454	$ 1,946
Accrued payroll	1,127	240	21	162	24	697	2,109
Deferred tax, grant and subvention revenues	-	-	456	-	257	1,168	1,197
Due to other funds	-	-	-	-	2,472	-	-
Deferred credits and other liabilities	-	125	-	149	-	1,478	1,477
Bonds, loans, capital leases and other payables	-	-	-	-	-	-	-
Total liabilities	1,296	1,529	734	802	3,810	3,797	6,729
Fund balances:							
Reserved for assets not available for appropriation	-	-	469	-	-	-	-
Reserved for debt service	-	-	-	-	-	-	-
Reserved for encumbrances	1,953	195	493	343	2,747	984	6,010
Reserved for appropriation carryforward	5,801	4,968	4,310	501	775	12,860	3,555
Reserved for subsequent years' budgets	-	-	-	-	-	-	-
Unreserved (deficit)	(4)	142	578	703	(447)	10,300	15,186
Total fund balances	7,750	5,305	5,850	1,547	3,075	24,144	24,751
Total liabilities and fund balances	$ 9,046	$ 6,834	$ 6,584	$ 2,349	$ 6,885	$ 27,941	$31,480

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue *(Continued)*
June 30, 2007
(In Thousands)

	Public Protection Fund	Public Works, Transportation and Commerce Fund	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
ASSETS							
Deposits and investments with City Treasury	$13,480	$ 19,704	$ 3,321	$165,636	$ -	$ 11,252	$ 494,146
Deposits and investments outside City Treasury	1	-	337	3,808	-	-	7,318
Receivables:							
Property taxes and penalties	-	-	-	-	-	-	4,635
Other local taxes	567	-	-	14,482	-	-	15,049
Federal and state grants and subventions	15,592	165	-	2,643	335	-	61,733
Charges for services	991	3,952	1	-	-	-	7,983
Interest and other	534	632	1	4,005	-	-	8,717
Due from other funds	-	422	240	7,976	-	-	8,924
Loans receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	64,504
Deferred charges and other assets	8	1,256	-	41	-	-	1,751
Total assets	$31,173	$ 26,131	$ 3,900	$198,591	$ 335	$ 11,252	$ 674,760
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 1,726	$ 1,388	$ 276	$ 7,650	$ 179	$ 225	$ 51,665
Accrued payroll	2,392	638	96	80	-	355	11,500
Deferred tax, grant and subvention revenues	7,716	-	-	-	-	-	15,661
Due to other funds	-	3,868	-	30,306	156	-	36,856
Deferred credits and other liabilities	-	4,520	-	3,964	-	14	74,640
Bonds, loans, capital leases and other payables	-	-	-	150,000	-	-	150,000
Total liabilities	11,834	10,414	372	192,000	335	594	340,322
Fund balances:							
Reserved for assets not available for appropriation	8	-	257	-	-	-	18,362
Reserved for debt service	-	-	-	858	-	-	858
Reserved for encumbrances	13,056	6,243	10	5,923	-	440	87,759
Reserved for appropriation carryforward	4,868	3,451	5,115	1,235	11	8,351	172,010
Reserved for subsequent years' budgets	-	-	-	-	-	-	8,004
Unreserved (deficit)	1,407	6,023	(1,854)	(1,425)	(11)	1,867	47,445
Total fund balances	19,339	15,717	3,528	6,591	-	10,658	334,438
Total liabilities and fund balances	$31,173	$ 26,131	$ 3,900	$198,591	$ 335	$ 11,252	$ 674,760

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue
Year ended June 30, 2007
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund	Cultural and Recreation Fund	Environmental Protection Fund
Revenues:								
Property taxes	$ -	$37,015	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	835	-	-	-	-	-
Other local taxes	-	-	-	-	42,251	-	-	-
Licenses, permits and franchises	3,555	-	-	-	-	-	160	-
Fines, forfeitures and penalties	-	-	-	1,775	-	36	-	-
Interest and investment income	1,506	2,450	7,378	544	1,066	177	144	55
Rents and concessions	-	-	-	-	16,349	-	325	-
Intergovernmental:								
Federal	-	10,367	40,987	69,891	-	-	34	141
State	-	13,876	603	22,725	-	-	6,877	2,872
Other	-	-	-	-	-	-	-	340
Charges for services	40,340	1,009	4,480	2,052	3,401	4,133	7,578	-
Other	-	11	13,906	94	-	-	640	469
Total revenues	45,401	64,728	68,189	97,081	63,067	4,346	15,758	3,877
Expenditures:								
Current:								
Public protection	-	-	-	90	-	317	-	-
Public works, transportation and commerce	47,874	28	1,004	-	-	592	347	-
Human welfare and neighborhood development	-	71,777	67,574	-	1,274	-	-	3,177
Community health	-	-	-	94,937	-	-	-	-
Culture and recreation	-	-	89	-	63,653	-	9,750	-
General administration and finance	-	-	798	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	11	-
Interest and fiscal charges	-	-	-	-	-	-	1	-
Bond issuance costs	-	-	406	-	-	-	-	-
Total expenditures	47,874	71,805	69,871	95,027	64,927	909	10,109	3,177
Excess (deficiency) of revenues over (under) expenditures	(2,473)	(7,077)	(1,682)	2,054	(1,860)	3,437	5,649	700
Other financing sources (uses):								
Transfers in	-	9,759	577	-	9,426	-	664	-
Transfers out	(1,005)	-	(2,364)	(70)	(1,065)	(4,184)	(850)	(589)
Issuance of bonds and loans								
Face value of bonds issued	-	-	2,000	-	-	-	-	-
Face value of loans issued	-	-	141	-	-	-	-	-
Other financing sources-capital leases	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,005)	9,759	354	(70)	8,361	(4,184)	(186)	(589)
Net change in fund balances	(3,478)	2,682	(1,328)	1,984	6,501	(747)	5,463	111
Fund balances at beginning of year	20,691	42,849	103,490	13,362	11,549	3,518	(457)	(7)
Fund balances at end of year	$ 17,213	$45,531	$ 102,162	$ 15,346	$18,050	$2,771	$ 5,006	$ 104

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue *(Continued)*
Year ended June 30, 2007
(In Thousands)

	Gasoline Tax Fund	General Services Fund	Gift Fund	Golf Fund	Human Welfare Fund	Open Space and Park Fund	Public Library Fund
Revenues:							
Property taxes	$ -	$ -	$ -	$ -	$ -	$ 30,580	$ 30,850
Business taxes	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-
Licenses, permits and franchises	-	2,048	-	-	219	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-	-
Interest and investment income	406	54	303	71	143	1,004	919
Rents and concessions	-	812	-	2,957	-	-	38
Intergovernmental:							
Federal	-	3,891	-	-	13,510	-	10
State	26,959	-	-	-	-	168	848
Other	-	-	-	-	-	-	-
Charges for services	328	1,758	79	7,361	209	21	724
Other	2	-	3,443	-	100	-	31
Total revenues	27,695	8,563	3,825	10,389	14,181	31,773	33,420
Expenditures:							
Current:							
Public protection	-	333	62	-	-	-	-
Public works, transportation and commerce	34,756	1,140	112	6	-	991	708
Human welfare and neighborhood development	-	-	1,463	-	14,204	-	-
Community health	-	-	615	-	-	-	-
Culture and recreation	-	677	1,032	9,696	-	28,959	66,982
General administration and finance	-	1,876	2,386	-	-	-	-
General City responsibilities	-	524	-	-	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
Total expenditures	34,756	4,550	5,670	9,702	14,204	29,950	67,690
Excess (deficiency) of revenues over (under) expenditures	(7,061)	4,013	(1,845)	687	(23)	1,823	(34,270)
Other financing sources (uses):							
Transfers in	11,302	707	1,500	1,391	3,113	1,417	39,625
Transfers out	-	-	(223)	(1,417)	(79)	(307)	(265)
Issuance of bonds and loans							
Face value of bonds issued	-	-	-	-	-	-	-
Face value of loans issued	-	-	-	-	-	-	-
Other financing sources-capital leases	846	-	-	-	-	-	-
Total other financing sources (uses)	12,148	707	1,277	(26)	3,034	1,110	39,360
Net change in fund balances	5,087	4,720	(568)	661	3,011	2,933	5,090
Fund balances at beginning of year	2,663	585	6,418	886	64	21,211	19,661
Fund balances at end of year	$ 7,750	$ 5,305	$ 5,850	$1,547	$ 3,075	$ 24,144	$ 24,751

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue *(Continued)*
Year ended June 30, 2007
(In Thousands)

	Public Protection Fund	Public Works, Transportation and Commerce Fund	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Revenues:							
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 98,445
Business taxes	-	-	-	-	-	-	835
Other local taxes	-	-	-	76,910	-	8,968	128,129
Licenses, permits and franchises	1,807	-	-	-	-	-	7,789
Fines, forfeitures and penalties	2,333	7	-	-	-	-	4,151
Interest and investment income	1,029	1,043	15	9,160	-	519	27,986
Rents and concessions	-	99	9,240	-	-	1,862	31,682
Intergovernmental:							
Federal	49,162	19	-	-	4,117	-	192,129
State	8,251	-	-	2,296	1,911	-	87,386
Other	-	1,533	-	-	-	-	1,873
Charges for services	57,197	16,031	175	-	-	306	147,182
Other	87	1,587	15	-	-	-	20,385
Total revenues	119,866	20,319	9,445	88,366	6,028	11,655	747,972
Expenditures:							
Current:							
Public protection	55,679	-	-	-	-	-	56,481
Public works, transportation and commerce	72,547	9,081	-	46,370	-	167	215,723
Human welfare and neighborhood development	59	6,154	14	-	6,053	-	171,749
Community health	4,123	-	-	-	-	-	99,675
Culture and recreation	2	34	-	-	-	10,673	191,547
General administration and finance	255	1	4,208	-	-	-	9,524
General City responsibilities	174	-	-	-	-	-	698
Debt service:							
Principal retirement	-	-	-	-	-	-	11
Interest and fiscal charges	-	-	30	-	-	-	31
Bond issuance costs	-	-	-	-	-	-	406
Total expenditures	132,839	15,270	4,252	46,370	6,053	10,840	745,845
Excess (deficiency) of revenues over (under) expenditures	(12,973)	5,049	5,193	41,996	(25)	815	2,127
Other financing sources (uses):							
Transfers in	12,638	906	699	-	25	-	93,749
Transfers out	-	(1,743)	(4,560)	(59,132)	-	(519)	(78,372)
Issuance of bonds and loans							
Face value of bonds issued	-	-	-	-	-	-	2,000
Face value of loans issued	-	-	-	-	-	-	141
Other financing sources-capital leases	66	56	-	-	-	-	968
Total other financing sources (uses)	12,704	(781)	(3,861)	(59,132)	25	(519)	18,486
Net change in fund balances	(269)	4,268	1,332	(17,136)	-	296	20,613
Fund balances at beginning of year	19,608	11,449	2,196	23,727	-	10,362	313,825
Fund balances at end of year	$ 19,339	$ 15,717	$ 3,528	$ 6,591	$ -	$ 10,658	$ 334,438

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis

Year ended June 30, 2007

(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	$ -	$ -	$ -	$ -	$ 35,493	$ 35,493	$ 37,015	$ 1,522
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	4,000	4,000	3,555	(445)	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	800	800	1,190	390	596	1,478	2,432	954
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	10,389	10,866	10,368	(498)
State	-	-	-	-	15,739	14,048	13,876	(172)
Other	-	-	-	-	-	-	-	-
Charges for services	45,496	45,395	40,340	(5,055)	1,042	1,309	1,009	(300)
Other revenues	-	-	-	-	-	11	11	-
Total revenues	50,296	50,195	45,085	(5,110)	63,259	63,205	64,711	1,506
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	56,318	49,009	47,874	1,135	-	28	28	-
Human welfare and neighborhood development	-	-	-	-	76,655	72,551	71,763	788
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	56,318	49,009	47,874	1,135	76,655	72,579	71,791	788
Excess (deficiency) of revenues over (under) expenditures	(6,022)	1,186	(2,789)	(3,975)	(13,396)	(9,374)	(7,080)	2,294
Other financing sources (uses):								
Transfers in	-	-	-	-	9,744	9,744	9,744	-
Transfers out	(2,400)	(700)	(700)	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs		-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	(28)	(28)	-	28
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(2,400)	(700)	(700)	-	9,716	9,716	9,744	28
Net change in fund balances	(8,422)	486	(3,489)	(3,975)	(3,680)	342	2,664	2,322
Budgetary fund balance (deficit), July 1	8,422	20,716	20,716	-	3,680	42,896	42,896	-
Budgetary fund balance (deficit), June 30	$ -	$ 21,202	$ 17,227	$ (3,975)	$ -	$ 43,238	$ 45,560	$ 2,322

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(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	550	550	835	285	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	1,758	1,695	1,775	80
Interest and investment income	110	6,057	6,705	648	50	433	476	43
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	40,988	40,988	-	71,847	69,890	69,890	-
State	-	603	603	-	18,390	22,725	22,725	-
Other	-	-	-	-	-	-	-	-
Charges for services	4,024	3,387	4,480	1,093	130	2,048	2,052	4
Other revenues	-	13,513	13,906	393	264	94	94	-
Total revenues	4,684	65,098	67,517	2,419	92,439	96,885	97,012	127
Expenditures:								
Public protection	-	-	-	-	-	90	90	-
Public works, transportation and commerce	-	1,004	1,004	-	-	-	-	-
Human welfare and neighborhood development	5,784	68,458	67,968	490	-	-	-	-
Community health	-	-	-	-	92,439	94,923	94,923	-
Culture and recreation	-	89	89	-	-	-	-	-
General administration and finance	429	797	797	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	6,213	70,348	69,858	490	92,439	95,013	95,013	-
Excess (deficiency) of revenues over (under) expenditures	(1,529)	(5,250)	(2,341)	2,909	-	1,872	1,999	127
Other financing sources (uses):								
Transfers in	-	576	576	-	-	-	-	-
Transfers out	(121)	(1,710)	(1,710)	-	-	-	-	-
Issuance of bonds	-	2,000	2,000	-	-	-	-	-
Issuance of loans	-	141	141	-	-	-	-	-
Bond issuance costs	-	(406)	(406)	-	-	-	-	-
Budget reserves and designations	(340)	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(461)	601	601	-	-	-	-	-
Net change in fund balances	(1,990)	(4,649)	(1,740)	2,909	-	1,872	1,999	127
Budgetary fund balance (deficit), July 1	1,990	93,868	93,868	-	-	13,352	13,352	-
Budgetary fund balance (deficit), June 30	$ -	$ 89,219	$ 92,128	$ 2,909	$ -	$ 15,224	$ 15,351	$ 127

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Convention Facilities Fund				Court's Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	42,251	42,251	42,251	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	25	25	36	11
Interest and investment income	-	-	-	-	63	63	176	113
Rents and concessions	20,702	20,702	16,349	(4,353)	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	78	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	497	497	3,401	2,904	3,743	3,743	4,133	390
Other revenues	-	-	-	-	-	-	-	-
Total revenues	63,450	63,450	62,001	(1,449)	3,909	3,831	4,345	514
Expenditures:								
Public protection	-	-	-	-	4,592	335	317	18
Public works, transportation and commerce	-	-	-	-	-	592	592	-
Human welfare and neighborhood development	5,600	262	262	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	67,276	66,351	63,652	2,699	-	-	-	-
General administration and finance	-	-		-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	72,876	66,613	63,914	2,699	4,592	927	909	18
Excess (deficiency) of revenues over (under) expenditures	(9,426)	(3,163)	(1,913)	1,250	(683)	2,904	3,436	532
Other financing sources (uses):								
Transfers in	9,426	9,426	9,426	-	-	-	-	-
Transfers out	-	-	-	-	-	(4,184)	(4,184)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	9,426	9,426	9,426	-	-	(4,184)	(4,184)	-
Net change in fund balances	-	6,263	7,513	1,250	(683)	(1,280)	(748)	532
Budgetary fund balance (deficit), July 1	-	14,796	14,796	-	683	3,521	3,521	-
Budgetary fund balance (deficit), June 30	$ -	$ 21,059	$ 22,309	$ 1,250	$ -	$ 2,241	$ 2,773	$ 532

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(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	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	161	161	161	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	46	46	126	80	-	6	6	-
Rents and concessions	164	164	325	161	-	-	-	-
Intergovernmental:								
Federal	-	34	34	-	45	141	141	-
State	-	6,876	6,876	-	4,046	2,872	2,872	-
Other	-	-	-	-	-	340	340	-
Charges for services	6,221	7,619	7,578	(41)	-	-	-	-
Other revenues	557	640	640	-	-	515	469	(46)
Total revenues	7,149	15,540	15,740	200	4,091	3,874	3,828	(46)
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	668	347	347	-	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	3,527	3,177	3,177	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	7,143	9,932	9,750	182	-	-	-	-
General administration and finance	-	-		-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	7,811	10,279	10,097	182	3,527	3,177	3,177	-
Excess (deficiency) of revenues over (under) expenditures	(662)	5,261	5,643	382	564	697	651	(46)
Other financing sources (uses):								
Transfers in	600	664	664	-	-	-	-	-
Transfers out	-	(831)	(831)	-	(564)	(540)	(540)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	(81)	(82)	-	82	-	-	-	-
Loan repayments and other financing sources (uses)	(12)	(12)	(12)	-	-	-	-	-
Total other financing sources (uses)	507	(261)	(179)	82	(564)	(540)	(540)	-
Net change in fund balances	(155)	5,000	5,464	464	-	157	111	(46)
Budgetary fund balance (deficit), July 1	155	4,426	4,426	-	-	(8)	(8)	-
Budgetary fund balance (deficit), June 30	$ -	$ 9,426	$ 9,890	$ 464	$ -	$ 149	$ 103	$ (46)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(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	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	1,889	1,889	2,048	159
Fines, forfeitures, and penalties	-	-	-	-	-	874	-	(874)
Interest and investment income	255	255	409	154	30	30	55	25
Rents and concessions	700	-	-	-	-	813	813	-
Intergovernmental:								
Federal	-	-	-	-	-	3,891	3,891	-
State	24,036	27,989	26,959	(1,030)	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	518	518	328	(190)	1,695	1,813	1,758	(55)
Other revenues	-	-	2	2	-	-	-	-
Total revenues	25,509	28,762	27,698	(1,064)	3,614	9,310	8,565	(745)
Expenditures:								
Public protection	-	-	-	-	354	333	333	-
Public works, transportation and commerce	36,111	34,549	33,910	639	1,919	1,140	1,140	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	677	677	-
General administration and finance	-	-		-	2,537	2,034	1,876	158
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	36,111	34,549	33,910	639	4,810	4,184	4,026	158
Excess (deficiency) of revenues over (under) expenditures	(10,602)	(5,787)	(6,212)	(425)	(1,196)	5,126	4,539	(587)
Other financing sources (uses):								
Transfers in	10,602	11,302	11,302	-	-	183	183	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	10,602	11,302	11,302	-	-	183	183	-
Net change in fund balances	-	5,515	5,090	(425)	(1,196)	5,309	4,722	(587)
Budgetary fund balance (deficit), July 1	-	2,664	2,664	-	1,196	591	591	-
Budgetary fund balance (deficit), June 30	$ -	$ 8,179	$ 7,754	$ (425)	$ -	$ 5,900	$ 5,313	$ (587)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Gift Fund				Golf Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	95	95	10	10	71	61
Rents and concessions	-	-	-	-	2,694	2,693	2,957	264
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	45	79	34	8,150	8,150	7,360	(790)
Other revenues	1,194	3,235	3,443	208	-	-	-	-
Total revenues	1,194	3,280	3,617	337	10,854	10,853	10,388	(465)
Expenditures:								
Public protection	200	62	62	-	-	-	-	-
Public works, transportation and commerce	-	112	112	-	-	6	6	-
Human welfare and neighborhood development	262	1,463	1,463	-	-	-	-	-
Community health	591	615	615	-	-	-	-	-
Culture and recreation	141	1,032	1,032	-	10,940	10,764	9,696	1,068
General administration and finance	-	2,386	2,386	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	1,194	5,670	5,670	-	10,940	10,770	9,702	1,068
Excess (deficiency) of revenues over (under) expenditures	-	(2,390)	(2,053)	337	(86)	83	686	603
Other financing sources (uses):								
Transfers in	-	1,500	1,500	-	1,391	1,391	1,391	-
Transfers out	-	(17)	(17)	-	(1,417)	(1,417)	(1,417)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	1,483	1,483	-	(26)	(26)	(26)	-
Net change in fund balances	-	(907)	(570)	337	(112)	57	660	603
Budgetary fund balance (deficit), July 1	-	6,410	6,410	-	112	888	888	-
Budgetary fund balance (deficit), June 30	$ -	$ 5,503	$ 5,840	$ 337	$ -	$ 945	$ 1,548	$ 603

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Human Welfare Fund				Open Space and Park Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 29,669	$ 29,669	$ 30,579	$ 910
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	210	210	218	8	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	145	145	-	400	400	999	599
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	17,425	13,510	13,510	-	-	-	-	-
State	-	-	-	-	152	152	168	16
Other	-	-	-	-	-	-	-	-
Charges for services	180	180	209	29	-	-	20	20
Other revenues	-	100	100	-	-	-	-	-
Total revenues	17,815	14,145	14,182	37	30,221	30,221	31,766	1,545
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	991	991	-
Human welfare and neighborhood development	17,799	13,979	13,979	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	32,064	32,559	28,960	3,599
General administration and finance	-	-		-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	17,799	13,979	13,979	-	32,064	33,550	29,951	3,599
Excess (deficiency) of revenues over (under) expenditures	16	166	203	37	(1,843)	(3,329)	1,815	5,144
Other financing sources (uses):								
Transfers in	-	2,888	2,888	-	1,417	1,417	1,417	-
Transfers out	(16)	(79)	(79)	-	-	(307)	(307)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	(2,000)	-	-	-
Total other financing sources (uses)	(16)	2,809	2,809	-	(583)	1,110	1,110	-
Net change in fund balances	-	2,975	3,012	37	(2,426)	(2,219)	2,925	5,144
Budgetary fund balance (deficit), July 1	-	64	64	-	2,426	21,229	21,229	-
Budgetary fund balance (deficit), June 30	$ -	$ 3,039	$ 3,076	$ 37	$ -	$ 19,010	$ 24,154	$ 5,144

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Public Library Fund				Public Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ 29,669	$ 29,669	$ 30,850	$ 1,181	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	1,284	1,752	1,807	55
Fines, forfeitures, and penalties	-	-	-	-	1,529	1,529	2,333	804
Interest and investment income	50	77	652	575	77	286	1,027	741
Rents and concessions	28	28	38	10	-	-	-	-
Intergovernmental:								
Federal	-	10	10	-	12,162	49,162	49,162	-
State	615	628	848	220	6,197	8,251	8,251	-
Other	-	-	-	-	-	-	-	-
Charges for services	763	836	724	(112)	43,153	53,078	57,197	4,119
Other revenues	-	37	31	(6)	175	128	87	(41)
Total revenues	31,125	31,285	33,153	1,868	64,577	114,186	119,864	5,678
Expenditures:								
Public protection	-	-	-	-	29,170	54,747	54,606	141
Public works, transportation and commerce	-	708	708	-	43,872	72,561	72,548	13
Human welfare and neighborhood development	-	-	-	-	-	59	59	-
Community health	-	-	-	-	1,530	4,123	4,123	-
Culture and recreation	74,695	69,676	66,982	2,694	-	2	2	-
General administration and finance	-	-		-	-	255	255	-
General City responsibilities	-	-	-	-	-	174	174	-
Total expenditures	74,695	70,384	67,690	2,694	74,572	131,921	131,767	154
Excess (deficiency) of revenues over (under) expenditures	(43,570)	(39,099)	(34,537)	4,562	(9,995)	(17,735)	(11,903)	5,832
Other financing sources (uses):								
Transfers in	38,030	41,295	39,625	(1,670)	12,043	12,043	12,043	-
Transfers out	-	-	-	-	(218)	(218)	-	218
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	(9,220)	-	-	-
Total other financing sources (uses)	38,030	41,295	39,625	(1,670)	2,605	11,825	12,043	218
Net change in fund balances	(5,540)	2,196	5,088	2,892	(7,390)	(5,910)	140	6,050
Budgetary fund balance (deficit), July 1	5,540	19,672	19,672	-	7,390	19,770	19,770	-
Budgetary fund balance (deficit), June 30	$ -	$ 21,868	$ 24,760	$ 2,892	$ -	$ 13,860	$ 19,910	$ 6,050

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Public Works, Transportation and Commerce Fund				Real Property Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	7	7	-	-	-	-
Interest and investment income	-	-	-	-	-	-	15	15
Rents and concessions	-	-	99	99	7,502	10,422	9,239	(1,183)
Intergovernmental:								
Federal	-	19	19	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	68	1,533	1,533	-	-	-	-	-
Charges for services	6,039	15,210	16,031	821	-	-	174	174
Other revenues	-	37	1,587	1,550	-	20	15	(5)
Total revenues	6,107	16,799	19,276	2,477	7,502	10,442	9,443	(999)
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	14,281	8,829	5,452	-	-	-	-
Human welfare and neighborhood development	6,039	6,230	6,154	76	-	15	15	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	34	34	-	-	-	-	-
General administration and finance	68	-	-	-	8,245	4,154	4,154	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	6,107	20,545	15,017	5,528	8,245	4,169	4,169	-
Excess (deficiency) of revenues over (under) expenditures	-	(3,746)	4,259	8,005	(743)	6,273	5,274	(999)
Other financing sources (uses):								
Transfers in	-	710	710	-	-	646	646	-
Transfers out	-	(700)	(700)	-	-	(4,560)	(4,560)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	(30)	(30)	-
Total other financing sources (uses)	-	10	10	-	-	(3,944)	(3,944)	-
Net change in fund balances	-	(3,736)	4,269	8,005	(743)	2,329	1,330	(999)
Budgetary fund balance (deficit), July 1	-	11,495	11,495	-	743	2,201	2,201	-
Budgetary fund balance (deficit), June 30	$ -	$ 7,759	$ 15,764	$ 8,005	$ -	$ 4,530	$ 3,531	$ (999)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	San Francisco County Transportation Authority Fund				Senior Citizens' Program Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Other local taxes	74,500	74,500	76,910	2,410	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	6,628	6,628	9,160	2,532	-	-	-	-
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	4,058	4,117	4,117	-
State	14,889	14,889	2,296	(12,593)	1,915	1,911	1,911	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Other revenues	2,000	2,000	-	(2,000)	-	-	-	-
Total revenues	98,017	98,017	88,366	(9,651)	5,973	6,028	6,028	-
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	220,486	220,486	113,379	107,107	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	5,973	6,037	6,029	8
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	220,486	220,486	113,379	107,107	5,973	6,037	6,029	8
Excess (deficiency) of revenues over (under) expenditures	(122,469)	(122,469)	(25,013)	97,456	-	(9)	(1)	8
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	18,164	18,164	-	(18,164)	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	18,164	18,164	-	(18,164)	-	-	-	-
Net change in fund balances	(104,305)	(104,305)	(25,013)	79,292	-	(9)	(1)	8
Budgetary fund balance (deficit), July 1	104,305	166,404	166,404	-	-	3	3	-
Budgetary fund balance (deficit), June 30	$ -	$ 62,099	$141,391	$ 79,292	$ -	$ (6)	$ 2	$ 8

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	War Memorial Fund				TOTAL			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 94,831	$ 94,831	$ 98,444	$ 3,613
Business taxes	-	-	-	-	550	550	835	285
Other local taxes	8,968	8,968	8,968	-	125,719	125,719	128,129	2,410
Licenses, permits, and franchises	-	-	-	-	7,544	8,012	7,789	(223)
Fines, forfeitures, and penalties	-	-	-	-	3,312	4,123	4,151	28
Interest and investment income	-	-	-	-	9,115	16,714	23,739	7,025
Rents and concessions	1,458	1,741	1,863	122	33,248	36,563	31,683	(4,880)
Intergovernmental:								
Federal	-	-	-	-	115,926	192,628	192,130	(498)
State	-	-	-	-	86,057	100,944	87,385	(13,559)
Other	-	-	-	-	68	1,873	1,873	-
Charges for services	218	264	306	42	121,869	144,092	147,179	3,087
Other revenues	-	-	-	-	4,190	20,330	20,385	55
Total revenues	10,644	10,973	11,137	164	602,429	746,379	743,722	(2,657)
Expenditures:								
Public protection	-	-	-	-	34,316	55,567	55,408	159
Public works, transportation and commerce	-	167	167	-	359,374	395,981	281,635	114,346
Human welfare and neighborhood development	-	-	-	-	121,639	172,231	170,869	1,362
Community health	-	-	-	-	94,560	99,661	99,661	-
Culture and recreation	10,832	11,590	10,673	917	203,091	202,706	191,547	11,159
General administration and finance	-	-		-	11,279	9,626	9,468	158
General City responsibilities	-	-	-	-	-	174	174	-
Total expenditures	10,832	11,757	10,840	917	824,259	935,946	808,762	127,184
Excess (deficiency) of revenues over (under) expenditures	(188)	(784)	297	1,081	(221,830)	(189,567)	(65,040)	124,527
Other financing sources (uses):								
Transfers in	-	-	-	-	83,253	93,785	92,115	(1,670)
Transfers out	-	-	-	-	(4,736)	(15,263)	(15,045)	218
Issuance of bonds	-	-	-	-	-	2,000	2,000	-
Issuance of loans	-	-	-	-	18,164	18,305	141	(18,164)
Bond issuance costs	-	-	-	-	-	(406)	(406)	-
Budget reserves and designations	-	-	-	-	(449)	(110)	-	110
Loan repayments and other financing sources (uses)	-	-	-	-	(11,232)	(42)	(42)	-
Total other financing sources (uses)	-	-	-	-	85,000	98,269	78,763	(19,506)
Net change in fund balances	(188)	(784)	297	1,081	(136,830)	(91,298)	13,723	105,021
Budgetary fund balance (deficit), July 1	188	10,326	10,326	-	136,830	455,284	455,284	-
Budgetary fund balance (deficit), June 30	$ -	$ 9,542	$ 10,623	$ 1,081	$ -	$ 363,986	$ 469,007	$ 105,021

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Schedule of Expenditures by Department Budget and Actual - Budget Basis

Year ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection	$ 56,318	$ 49,005	$ 47,870	$ 1,135
Public Works	-	4	4	-
Total Building Inspection Fund	56,318	49,009	47,874	1,135
CHILDREN AND FAMILIES FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	28	28	-
Human Welfare and Neighborhood Development				
Child Support Services	15,273	15,270	14,511	759
Children and Families Commission	17,602	12,688	12,687	1
Mayor's Office	43,780	44,593	44,565	28
Total Children and Families Fund	76,655	72,579	71,791	788
COMMUNITY/NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Dept of Building Inspection	-	78	78	-
Business and Economic Development	-	361	361	-
Municipal Transportation Agency	-	2	2	-
Public Works	-	563	563	-
	-	1,004	1,004	-
Human Welfare and Neighborhood Development				
Mayor's Office	689	63,277	63,277	-
Rent Arbitration Board	5,095	5,181	4,691	490
	5,784	68,458	67,968	490
Culture and Recreation				
Recreation and Park Commission	-	89	89	-
General Administration and Finance				
Administrative Services	429	797	797	-
Total Community/Neighborhood Development Fund	6,213	70,348	69,858	490
COMMUNITY HEALTH SERVICES FUND				
Public Protection				
Trial Courts	-	90	90	-
Community Health				
Community Health Network	92,439	94,923	94,923	-
Total Community Health Services Fund	92,439	95,013	95,013	-
CONVENTION FACILITIES FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	5,600	262	262	-
Culture and Recreation				
Administrative Services - Convention Facilities	67,276	66,335	63,636	2,699
Arts Commission	-	16	16	-
	67,276	66,351	63,652	2,699
Total Convention Facilities Fund	72,876	66,613	63,914	2,699

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Schedule of Expenditures by Department
Budget and Actual - Budget Basis *(Continued)*
Year ended June 30, 2007
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
COURTS FUND				
Public Protection				
Trial Courts	4,592	335	317	18
Public Works, Transportation and Commerce				
Public Works	-	592	592	-
Total Court's Fund	4,592	927	909	18
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office	668	251	251	-
Public Works	-	96	96	-
	668	347	347	-
Culture and Recreation				
Arts Commission	994	1,213	1,213	-
Asian Art Museum	873	567	567	-
Fine Arts Museums	3,338	4,659	4,659	-
Recreation and Park Commission	1,938	3,493	3,311	182
	7,143	9,932	9,750	182
Total Culture and Recreation Fund	7,811	10,279	10,097	182
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	3,527	3,177	3,177	-
Total Environmental Protection Fund	3,527	3,177	3,177	-
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	35	35	-
Public Utilities Commission	-	1	1	-
Public Works	36,111	34,513	33,874	639
Total Gasoline Tax Fund	36,111	34,549	33,910	639
GENERAL SERVICES FUND				
Public Protection				
Mayor's Office	-	55	55	-
Trial Courts	354	278	278	-
	354	333	333	-
Public Works, Transportation and Commerce				
Telecommunications and Information Services	1,919	1,140	1,140	-
Culture and Recreation				
Fine Arts Museum	-	677	677	-
General Administration and Finance				
Administrative Services	-	98	98	-
Assessor/Recorder	2,537	1,704	1,700	4
Board of Supervisors	-	78	78	-
Human Resources	-	154	-	154
	2,537	2,034	1,876	158
Total General Services Fund	4,810	4,184	4,026	158

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Schedule of Expenditures by Department
Budget and Actual - Budget Basis *(Continued)*
Year ended June 30, 2007
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GIFT FUND				
Public Protection				
Fire Department	200	-	-	-
Police Department	-	13	13	-
Public Defender	-	48	48	-
	200	61	61	-
Public Works, Transportation and Commerce				
Public Works	-	111	111	-
Telecommunications and Information Services	-	1	1	-
	-	112	112	-
Human Welfare and Neighborhood Development				
Mayor's Office	-	484	484	-
Social Services	262	978	978	-
	262	1,462	1,462	-
Community Health				
Community Health Network	591	615	615	-
Culture and Recreation				
Arts Commission	-	66	66	-
Fine Arts Museums	-	183	183	-
Mayor's Office	-	35	35	-
Public Library	61	649	649	-
Recreation and Park Commission	80	100	100	-
	141	1,033	1,033	-
General Administration and Finance				
Administrative Services	-	47	47	-
Mayor's Office	-	-	-	-
Treasurer/Tax Collector	-	2,340	2,340	-
	-	2,387	2,387	-
Total Gift Fund	1,194	5,670	5,670	-
GOLF FUND				
Public Works, Transportation and Commerce				
Public Works	-	6	6	-
	-	6	6	-
Culture and Recreation				
Recreation and Park Commission	10,940	10,764	9,696	1,068
Total Golf Fund	10,940	10,770	9,702	1,068
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women	17,605	13,729	13,729	-
Social Services	194	250	250	-
	17,799	13,979	13,979	-
Total Human Welfare Fund	17,799	13,979	13,979	-

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Schedule of Expenditures by Department
Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	7	7	-
Public Works	-	984	984	-
	-	991	991	-
Culture and Recreation				
Arts Commission	-	6	6	-
Recreation and Park Commission	32,064	32,553	28,954	3,599
	32,064	32,559	28,960	3,599
Total Open Space and Park Fund	32,064	33,550	29,951	3,599
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Works	-	666	666	-
Telecommunications and Information Services	-	42	42	-
	-	708	708	-
Culture and Recreation				
Public Library	74,695	69,676	66,982	2,694
Total Public Library Fund	74,695	70,384	67,690	2,694
PUBLIC PROTECTION FUND				
Public Protection				
District Attorney	4,921	5,383	5,383	-
Fire Department	875	6,734	6,734	-
Mayor's Office	495	4,924	4,924	-
Police Commission	19,907	32,581	32,440	141
Public Defender	158	137	137	-
Sheriff	2,567	4,632	4,632	-
Trial Courts	247	356	356	-
	29,170	54,747	54,606	141
Public Works, Transportation and Commerce				
Emergency Communications Department	43,872	71,331	71,318	13
Port	-	948	948	-
Public Works	-	264	264	-
Telecommunications and Information Services	-	18	18	-
	43,872	72,561	72,548	13
Human Welfare and Neighborhood Development				
Commission on Status of Women	-	59	59	-
Community Health				
Community Health	1,530	4,123	4,123	-
Culture and Recreation				
Recreation and Park	-	2	2	-
General Administration and Finance				
Administrative Services	-	130	130	-
City Attorney	-	125	125	-
	-	255	255	-
General City Responsibilities				
Controller	-	174	174	-
Total Public Protection Fund	74,572	131,921	131,767	154

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS

Schedule of Expenditures by Department
Budget and Actual - Budget Basis *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	270	270	-
Public Utilities Commission	-	-	8,558	(8,558)
Public Works	-	14,011	-	14,011
	-	14,281	8,828	5,453
Human Welfare and Neighborhood Development				
Mayor's Office	6,039	6,230	6,155	75
Culture and Recreation				
Arts Commission	-	34	34	-
General Administration and Finance				
City Planning	68	-	-	-
Total Public Works, Transportation and Commerce Fund	6,107	20,545	15,017	5,528
REAL PROPERTY FUND				
Human Welfare and Neighborhood Development				
Rent Arbitration Board	-	15	15	-
General Administration and Finance				
Administrative Services	8,245	4,154	4,154	-
Total Real Property Fund	8,245	4,169	4,169	-
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors	220,486	220,486	113,379	107,107
Total SF County Transportation Authority Fund	220,486	220,486	113,379	107,107
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Social Services Department	5,973	6,037	6,029	8
Total Senior Citizens' Program Fund	5,973	6,037	6,029	8
WAR MEMORIAL FUND				
Public Works, Transportation and Commerce				
Public Works	-	167	167	-
Culture and Recreation				
War Memorial	10,832	11,590	10,673	917
Total War Memorial Fund	10,832	11,757	10,840	917
Total Special Revenue Funds With Legally Adopted Budgets	$ 824,259	$ 935,946	$ 808,762	$ 127,184

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Debt Service
June 30, 2007
(In Thousands)

	General Obligation Bond	Certificates of Participation	Other Bond Funds	Total
ASSETS				
Deposits and investments with City Treasury	$ 39,579	$ -	$ 41	$ 39,620
Deposits and investments outside City Treasury	-	15,136	-	15,136
Receivables:				
Property taxes and penalties	6,695	-	-	6,695
Interest and other	1,353	15	-	1,368
Total assets	$ 47,627	$ 15,151	$ 41	$ 62,819
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 62	$ -	$ -	$ 62
Deferred tax, grant and subvention revenues	5,663	-	-	5,663
Deferred credits and other liabilities	6,653	-	-	6,653
Total liabilities	12,378	-	-	12,378
Fund balances:				
Reserved for debt service	35,249	15,151	41	50,441
Total fund balances	35,249	15,151	41	50,441
Total liabilities and fund balances	$ 47,627	$ 15,151	$ 41	$ 62,819

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Debt Service
Year ended June 30, 2007
(In Thousands)

	General Obligation Bond	Certificates of Participation	Other Bond Funds	Total
Revenues:				
Property taxes	$ 121,729	$ -	$ -	$ 121,729
Interest and investment income	3,981	389	-	4,370
Rents and concessions	-	786	-	786
Intergovernmental:				
State	649	-	-	649
Total revenues	126,359	1,175	-	127,534
Expenditures:				
Current:				
Debt service:				
Principal retirement	82,191	9,240	6,727	98,158
Interest and fiscal charges	55,949	13,053	1,521	70,523
Bond issuance costs	1,150	-	-	1,150
Total expenditures	139,290	22,293	8,248	169,831
Excess (deficiency) of revenues over (under) expenditures	(12,931)	(21,118)	(8,248)	(42,297)
Other financing sources (uses):				
Transfers in	85	29,437	8,248	37,770
Transfers out	-	(2,515)	-	(2,515)
Issuance of bonds and loans				
Face value of bonds issued	157,255	-	-	157,255
Premium on issuance of bonds	3,521	-	-	3,521
Payment to refunded bond escrow agent	(159,610)	-	-	(159,610)
Total other financing sources, net	1,251	26,922	8,248	36,421
Net change in fund balances	(11,680)	5,804	-	(5,876)
Fund balances at beginning of year	46,929	9,347	41	56,317
Fund balances at end of year	$ 35,249	$ 15,151	$ 41	$ 50,441

CITY AND COUNTY OF SAN FRANCISCO
DEBT SERVICE FUNDS
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
Year ended June 30, 2007
(In Thousands)

	General Obligation Bond Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 136,322	$ 136,322	$ 121,729	$ (14,593)
Interest and investment income	-	-	3,961	3,961
Intergovernmental:				-
State	750	750	649	(101)
Total revenues	137,072	137,072	126,339	(10,733)
Expenditures:				
Debt service:				
Principal retirement	137,072	82,191	82,191	-
Interest and fiscal charges	-	54,881	54,223	658
Bond issuance costs	-	544	544	-
Total expenditures	137,072	137,616	136,958	658
Excess (deficiency) of revenues over (under) expenditures	-	(544)	(10,619)	(10,075)
Other financing sources (uses):				
Transfers in	-	85	85	-
Issuance of bonds and loans				
Face value of bonds issued	-	1,550	1,550	-
Loan repayments and other financing uses	-	(990)	(990)	-
Total other financing sources (uses)	-	645	645	-
Net change in fund balances	-	101	(9,974)	(10,075)
Budgetary fund balance, July 1	-	52,946	52,946	-
Budgetary fund balance, June 30	$ -	$ 53,047	$ 42,972	$ (10,075)

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CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Capital Projects

June 30, 2007

(In Thousands)

	City Facilities Improvement	Earthquake Safety Improvement	Fire Protection Systems Improvement	Moscone Convention Center
ASSETS				
Deposits and investments with City Treasury	$ 226,549	$ 1,716	$ 11,387	$ 7,214
Deposits and investments outside City Treasury	29,010	-	-	-
Receivables:				
Federal and state grants and subventions	-	510	-	-
Charges for services	374	-	-	-
Interest and other	3,512	23	157	158
Due from other funds	-	-	-	-
Due from component unit	-	-	-	-
Deferred charges and other assets	-	-	-	38
Total assets	$ 259,445	$ 2,249	$ 11,544	$ 7,410
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 19,676	$ 377	$ 1	$ -
Accrued payroll	123	17	2	-
Deferred tax, grant and subvention revenues	-	-	-	-
Due to other funds	218	-	-	11,700
Deferred credits and other liabilities	29	24	-	-
Total liabilities	20,046	418	3	11,700
Fund balances:				
Reserved for assets not available for appropriation	-	-	-	38
Reserved for encumbrances	154,084	1,048	83	93
Reserved for appropriation carryforward	55,148	-	1,974	18
Unreserved	30,167	783	9,484	(4,439)
Total fund balances	239,399	1,831	11,541	(4,290)
Total liabilities and fund balances	$ 259,445	$ 2,249	$ 11,544	$ 7,410

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds - Capital Projects *(Continued)*

June 30, 2007

(In Thousands)

	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
ASSETS				
Deposits and investments with City Treasury	$ 31,479	$ 30,607	$ -	$ 308,952
Deposits and investments outside City Treasury	-	-	-	29,010
Receivables:				
Federal and state grants and subventions	114	11,148	3,746	15,518
Charges for services	-	-	-	374
Interest and other	480	545	-	4,875
Due from other funds	-	3,576	4,144	7,720
Due from component unit	-	-	958	958
Deferred charges and other assets	-	-	-	38
Total assets	$ 32,073	$ 45,876	$ 8,848	$ 367,445
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,850	$ 5,372	$ 3,392	$ 30,668
Accrued payroll	186	291	496	1,115
Deferred tax, grant and subvention revenues	114	1,461	-	1,575
Due to other funds	-	-	1,189	13,107
Deferred credits and other liabilities	7	61	1,856	1,977
Total liabilities	2,157	7,185	6,933	48,442
Fund balances:				
Reserved for assets not available for appropriation	-	-	959	997
Reserved for encumbrances	8,441	29,699	7,650	201,098
Reserved for appropriation carryforward	22,772	22,205	15,164	117,281
Unreserved	(1,297)	(13,213)	(21,858)	(373)
Total fund balances	29,916	38,691	1,915	319,003
Total liabilities and fund balances	$ 32,073	$ 45,876	$ 8,848	$ 367,445

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects
Year ended June 30, 2007
(In Thousands)

	City Facilities Improvement	Earthquake Safety Improvement	Fire Protection Systems Improvement	Moscone Convention Center
Revenues:				
Interest and investment income	$ 15,407	$ 126	$ 567	$ 563
Rents and concessions	-	-	-	-
Intergovernmental:				
Federal	-	1,026	-	-
State	-	-	-	-
Other	-	-	-	-
Charges for services	193	-	-	-
Other	-	-	-	-
Total revenues	15,600	1,152	567	563
Expenditures:				
Debt service:				
Interest and fiscal charges	-	-	-	-
Bond issuance costs	2,127	-	-	-
Capital outlay	190,419	2,889	440	4
Total expenditures	192,546	2,889	440	4
Excess (deficiency) of revenues over (under) expenditures	(176,946)	(1,737)	127	559
Other financing sources (uses):				
Transfers in	3,946	-	-	-
Transfers out	(100,983)	-	-	-
Issuance of bonds and loans				
Face value of bonds issued	153,700	-	-	-
Discount on issuance of bonds	(1,856)	-	-	-
Other financing sources-capital leases	-	-	-	-
Total other financing sources, net	54,807	-	-	-
Net change in fund balances	(122,139)	(1,737)	127	559
Fund balances at beginning of year	361,538	3,568	11,414	(4,849)
Fund balances at end of year	$ 239,399	$ 1,831	$ 11,541	$ (4,290)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects *(Continued)*
Year ended June 30, 2007
(In Thousands)

	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
Revenues:				
Interest and investment income	$ 1,938	$ 2,479	$ -	$ 21,080
Rents and concessions	55	-	620	675
Intergovernmental:				
Federal	-	1,386	3,574	5,986
State	1,030	10,820	3,033	14,883
Other	-	-	13,816	13,816
Charges for services	-	-	-	193
Other	-	1,842	65	1,907
Total revenues	3,023	16,527	21,108	58,540
Expenditures:				
Debt service:				
Interest and fiscal charges	-	284	428	712
Bond issuance costs	-	-	-	2,127
Capital outlay	18,845	40,985	29,788	283,370
Total expenditures	18,845	41,269	30,216	286,209
Excess (deficiency) of revenues over (under) expenditures	(15,822)	(24,742)	(9,108)	(227,669)
Other financing sources (uses):				
Transfers in	308	1,665	8,583	14,502
Transfers out	-	(35)	-	(101,018)
Issuance of bonds and loans				
Face value of bonds issued	-	-	-	153,700
Discount on issuance of bonds	-	-	-	(1,856)
Other financing sources-capital leases	-	3,576	-	3,576
Total other financing sources, net	308	5,206	8,583	68,904
Net change in fund balances	(15,514)	(19,536)	(525)	(158,765)
Fund balances at beginning of year	45,430	58,227	2,440	477,768
Fund balances at end of year	$ 29,916	$ 38,691	$ 1,915	$ 319,003

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CITY AND COUNTY OF SAN FRANCISCO

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

Central Shops Fund -- Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

Finance Corporation -- Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

Reproduction Fund -- Accounts for printing, design and mail services required by various City departments and agencies.

Telecommunications and Information Fund -- Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city personnel. It also accounts for the related billings to various departments for specific services performed and operating support from the General Fund.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Net Assets
Internal Service Funds
June 30, 2007
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Assets					
Current assets:					
Deposits and investments with City Treasury	$ 736	$ 289	$ 1,160	$ 8,844	$ 11,029
Deposits and investments outside City Treasury	-	58,127	-	-	58,127
Receivables:					
Interest and other	-	329	-	804	1,133
Due from other funds	-	91	-	-	91 (1)
Capital leases receivable	-	23,332	-	-	23,332
Total current assets	736	82,168	1,160	9,648	93,712
Noncurrent assets:					
Capital leases receivable	-	227,865	-	-	227,865
Capital assets:					
Facilities and equipment, net of depreciation	2,001	-	103	3,432	5,536
Deferred charges and other assets	-	3,388	-	-	3,388
Total noncurrent assets	2,001	231,253	103	3,432	236,789
Total assets	$ 2,737	$ 313,421	$ 1,263	$ 13,080	$ 330,501
Liabilities					
Current liabilities:					
Accounts payable	$ 1,056	$ 613	$ 364	$ 8,044	$ 10,077
Accrued payroll	386	-	86	1,301	1,773
Accrued vacation and sick leave pay	457	-	-	1,517	1,974
Accrued workers' compensation	-	-	-	145	145
Bonds, loans, capital leases, and other payables	-	21,380	-	130	21,510
Accrued interest payable	-	1,748	-	-	1,748
Due to other funds	66	3,663	-	25	3,754 (1)
Deferred credits and other liabilities	-	57,302	22	1,211	58,535
Total current liabilities	1,965	84,706	472	12,373	99,516
Noncurrent liabilities:					
Accrued vacation and sick leave pay	392	-	-	1,473	1,865
Accrued workers' compensation	-	-	-	609	609
Bonds, loans, capital leases, and other payables	-	228,715	-	71	228,786
Total noncurrent liabilities	392	228,715	-	2,153	231,260
Total liabilities	2,357	313,421	472	14,526	330,776
Net Assets					
Invested in capital assets, net of related debt	2,001	-	103	3,231	5,335
Unrestricted (deficit)	(1,621)	-	688	(4,677)	(5,610)
Total net assets (deficit)	$ 380	$ -	$ 791	$ (1,446)	$ (275)

Notes:
(1) Intra-entity due to and due from eliminated for presentation in the Statement of Net Assets - Proprietary Funds on page 34.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year ended June 30, 2007
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Operating revenues:					
Charges for services	$ 23,364	$ -	$ 6,929	$ 81,227	$ 111,520
Rent and concessions	-	-	-	19	19
Total operating revenues	23,364	-	6,929	81,246	111,539
Operating expenses:					
Personal services	10,937	-	2,144	33,902	46,983
Contractual services	1,893	-	3,677	30,092	35,662
Materials and supplies	8,717	-	445	9,242	18,404
Depreciation and amortization	517	213	57	913	1,700
General and administrative	91	-	22	293	406
Services provided by other departments	1,225	-	373	3,474	5,072
Other	5	-	210	2,483	2,698
Total operating expenses	23,385	213	6,928	80,399	110,925
Operating income (loss)	(21)	(213)	1	847	614
Nonoperating revenues (expenses):					
Interest and investment income	-	9,362	-	-	9,362
Interest expense	(186)	(9,149)	(52)	(178)	(9,565)
Total nonoperating revenues (expenses)	(186)	213	(52)	(178)	(203)
Income (loss) before transfers	(207)	-	(51)	669	411
Transfers in	320	-	52	178	550
Change in net assets	113	-	1	847	961
Total net assets (deficit) - beginning	267	-	790	(2,293)	(1,236)
Total net assets (deficit) - ending	$ 380	$ -	$ 791	$ (1,446)	$ (275)

Combining Statement of Cash Flows
Internal Service Funds
Year ended June 30, 2007
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers	$ 23,441	$ 28,695	$ 6,929	$ 81,212	$ 140,277
Cash paid to employees for services	(10,895)	-	(2,128)	(34,230)	(47,253)
Cash paid to suppliers for goods and services	(12,229)	(6,405)	(4,610)	(42,020)	(65,264)
Net cash provided by operating activities	317	22,290	191	4,962	27,760
Cash flows from noncapital financing activities:					
Transfers in	320	-	52	178	550
Net cash provided by noncapital financing activities	320	-	52	178	550
Cash flows from capital and related financing activities:					
Bond sale proceeds	-	38,687	-	-	38,687
Acquisition of capital assets	(569)	-	(11)	(1,967)	(2,547)
Retirement of capital lease obligation	-	(20,550)	-	17	(20,533)
Bond issue costs paid	-	(504)	-	-	(504)
Interest paid on long term debt	-	(8,708)	-	-	(8,708)
Net cash provided by (used in) capital financing activitie	(569)	8,925	(11)	(1,950)	6,395
Cash flows from investing activities:					
Purchases of investments with trustees	-	(56,540)	-	-	(56,540)
Proceeds from sale of investments with trustees	-	21,473	-	-	21,473
Interest income received	-	1,791	-	-	1,791
Other investing activities	(186)	-	(52)	(178)	(416)
Net cash used in investing activities	(186)	(33,276)	(52)	(178)	(33,692)
Increase (decrease) in cash and cash equivalents	(118)	(2,061)	180	3,012	1,013
Cash and cash equivalents - beginning of year	854	25,410	980	5,832	33,076
Cash and cash equivalents - end of year	$ 736	$ 23,349	$ 1,160	$ 8,844	$ 34,089
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ (21)	$ (213)	$ -	$ 847	$ 613
Adjustments for non-cash activities:					
Depreciation and amortization	517	213	57	913	1,700
Changes in assets/liabilities:					
Receivables, net	78	20,550	-	(28)	20,600
Deferred charges & other assets	-	-	-	150	150
Accounts payable	(169)	-	118	3,612	3,561
Accrued payroll	15	-	16	140	171
Accrued vacation and sick leave pay	26	-	-	(118)	(92)
Accrued workers' compensation	-	-	-	(351)	(351)
Due to other funds	(129)	-	-	(48)	(177)
Deferred credits and other liabilities	-	1,740	-	(155)	1,585
Total adjustments	338	22,503	191	4,115	27,147
Net cash provided by operating activities	$ 317	$ 22,290	$ 191	$ 4,962	$ 27,760
Reconciliation of cash and cash equivalents to the combining statement of net assets:					
Deposits and investments with City Treasury	$ 736	$ 289	$ 1,160	$ 8,844	$ 11,029
Restricted deposits and investments outside City Treasury	-	23,060	-	-	23,060
Cash and cash equivalents at end of year on combining statement of cash flows	$ 736	$ 23,349	$ 1,160	$ 8,844	$ 34,089

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.

Agency Funds

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Assistance Program Fund -- Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

Deposits Fund -- Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

Payroll Deduction Fund – Accounts for monies held for payroll charges including federal, state and other payroll related deductions.

State Revenue Collection Fund -- Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

Tax Collection Fund -- Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

Transit Fund -- Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

Other Agency Funds -- Accounts for monies held as agent for a variety of purposes.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Fiduciary Net Assets

Fiduciary Funds
Pension and Other Employee Benefit Trust Funds

June 30, 2007

(In Thousands)

	Pension Trust Fund — Employees' Retirement System	Other Employee Benefit Trust Fund — Health Service System	Total
ASSETS			
Deposits and investments with City Treasury	$ 6,532	$ 63,635	$ 70,167
Deposits and investments outside City Treasury:			
Cash and deposits	70,495	-	70,495
Short term bills and notes	1,426,876	-	1,426,876
Debt securities	4,254,683	-	4,254,683
Equity securities	8,835,816	-	8,835,816
Real estate	1,698,685	-	1,698,685
Venture capital	1,604,653	-	1,604,653
Foreign currency contracts, net	10,466	-	10,466
Receivables:			
Employer and employee contributions	11,689	15,596	27,285
Brokers, general partners and others	853,921	-	853,921
Interest and other	50,249	7,242	57,491
Invested securities lending collateral	2,220,679	-	2,220,679
Total assets	21,044,744	86,473	21,131,217
Liabilities			
Accounts payable	13,714	1,420	15,134
Estimated claims payable	-	10,025	10,025
Obligations under fixed coupon dollar reverse repurchase agreements	468,164	-	468,164
Payable to brokers	1,390,144	-	1,390,144
Securities lending collateral	2,220,679	-	2,220,679
Deferred credits and other liabilities	-	31,128	31,128
Total liabilities	4,092,701	42,573	4,135,274
Net Assets			
Held in trust for pension benefits and other purposes	$ 16,952,043	$ 43,900	$ 16,995,943

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Fiduciary Net Assets

Fiduciary Funds
Pension and Other Employee Benefit Trust Funds

Year ended June 30, 2007

(In Thousands)

	Pension Trust Fund — Employees' Retirement System	Other Employee Benefit Trust Fund — Health Service System	Total
Additions:			
Employees' contributions	$ 175,747	$ 76,615	$ 252,362
Employer contributions	132,601	444,104	576,705
Total contributions	308,348	520,719	829,067
Investment income:			
Interest	239,088	2,411	241,499
Dividends	167,408	-	167,408
Net increase in fair value of investments	2,424,598	20	2,424,618
Securities lending income	106,208	-	106,208
Fixed coupon dollar reverse repurchase agreement income	27,050	-	27,050
Total investment income	2,964,352	2,431	2,966,783
Less investment expenses:			
Securities lending borrower rebates and expenses	(98,375)	-	(98,375)
Fixed coupon dollar reverse repurchase finance charges and expenses	(25,129)	-	(25,129)
Other expenses	(44,009)	-	(44,009)
Total investment expenses	(167,513)	-	(167,513)
Total additions, net	3,105,187	523,150	3,628,337
Deductions:			
Benefit payments	631,159	521,790	1,152,949
Refunds of contributions	7,645	-	7,645
Administrative expenses	11,362	-	11,362
Total deductions	650,166	521,790	1,171,956
Change in net assets	2,455,021	1,360	2,456,381
Net assets at beginning of year	14,497,022	42,540	14,539,562
Net assets at end of year	$ 16,952,043	$ 43,900	$ 16,995,943

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Combining Statement of Changes in Assets and Liabilities - Agency Funds

Year ended June 30, 2007

(In Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Assistance Program Fund				
ASSETS				
Deposits and investments with City Treasury	$ 1,246	$ 7,275	$ 8,457	$ 64
Receivables:				
Interest and other	-	5	4	1
Total assets	$ 1,246	$ 7,280	$ 8,461	$ 65
LIABILITIES				
Accounts payable	$ 50	$ 1,544	$ 1,575	$ 19
Agency obligations	1,196	7,298	8,448	46
Total liabilities	$ 1,246	$ 8,842	$ 10,023	$ 65
Deposits Fund				
ASSETS				
Deposits and investments with City Treasury	$ 33,360	$ 31,942	$ 50,968	$ 14,334
Deposits and investments outside City Treasury	87	2	87	2
Receivables:				
Interest and other	24	49	32	41
Deferred charges and other assets	26,658	-	-	26,658
Total assets	$ 60,129	$ 31,993	$ 51,087	$ 41,035
LIABILITIES				
Accounts payable	$ 761	$ 20,075	$ 19,960	$ 876
Agency obligations	59,368	31,206	50,415	40,159
Total liabilities	$ 60,129	$ 51,281	$ 70,375	$ 41,035
Payroll Deduction Fund				
ASSETS				
Deposits and investments with City Treasury	$ 6,016	$ 1,862	$ -	$ 7,878
Receivables:				
Employer and employee contributions	35,151	5,451	-	40,602
Total assets	$ 41,167	$ 7,313	$ -	$ 48,480
LIABILITIES				
Accounts payable	$ 40,819	$ 952	$ -	$ 41,771
Agency obligations	348	6,525	164	6,709
Total liabilities	$ 41,167	$ 7,477	$ 164	$ 48,480

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Combining Statement of Changes in Assets and Liabilities - Agency Funds *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
State Revenue Collection Fund				
ASSETS				
Deposits and investments with City Treasury	$ 606	$ 2,285	$ 2,392	$ 499
Deposits and investments outside City Treasury	10	1	10	1
Total assets	$ 616	$ 2,286	$ 2,402	$ 500
LIABILITIES				
Accounts payable	$ 273	$ 2,268	$ 2,422	$ 119
Agency obligations	343	2,402	2,364	381
Total liabilities	$ 616	$ 4,670	$ 4,786	$ 500
Tax Collection Fund				
ASSETS				
Deposits and investments with City Treasury	$ 36,144	$2,100,536	$2,123,277	$ 13,403
Receivables:				
Interest and other	109,446	143,105	109,344	143,207
Total assets	$ 145,590	$2,243,641	$2,232,621	$ 156,610
LIABILITIES				
Accounts payable	$ 5,077	$ 53,233	$ 55,823	$ 2,487
Agency obligations	140,513	1,583,525	1,569,915	154,123
Total liabilities	$ 145,590	$1,636,758	$1,625,738	$ 156,610
Transit Fund				
ASSETS				
Deposits and investments with City Treasury	$ 6,923	$ 49,886	$ 55,136	$ 1,673
Receivables:				
Interest and other	21	195	185	31
Total assets	$ 6,944	$ 50,081	$ 55,321	$ 1,704
LIABILITIES				
Accounts payable	$ 1,328	$ 14,760	$ 16,088	$ -
Agency obligations	5,616	36,066	39,978	1,704
Total liabilities	$ 6,944	$ 50,826	$ 56,066	$ 1,704

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Combining Statement of Changes in Assets and Liabilities - Agency Funds *(Continued)*

Year ended June 30, 2007

(In Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Other Agency Funds				
ASSETS				
Deposits and investments with City Treasury...............	$ 15,830	$ 112,615	$ 105,402	$ 23,043
Deposits and investments outside City Treasury..........	23	11	23	11
Receivables:				
Interest and other..	227	493	374	346
Total assets..	$ 16,080	$ 113,119	$ 105,799	$ 23,400
LIABILITIES				
Accounts payable..	$ 5,238	$ 99,371	$ 97,776	$ 6,833
Agency obligations..	10,842	106,788	101,063	16,567
Total liabilities..	$ 16,080	$ 206,159	$ 198,839	$ 23,400
Total Agency Funds				
ASSETS				
Deposits and investments with City Treasury...............	$ 100,125	$ 2,306,401	$ 2,345,632	$ 60,894
Deposits and investments outside City Treasury..........	120	14	120	14
Receivables:				
Employer and employee contributions....................	35,151	5,451	-	40,602
Interest and other..	109,718	143,847	109,939	143,626
Deferred charges and other assets..............................	26,658	-	-	26,658
Total assets..	$ 271,772	$ 2,455,713	$ 2,455,691	$ 271,794
LIABILITIES				
Accounts payable..	$ 53,546	$ 192,203	$ 193,644	$ 52,105
Agency obligations..	218,226	1,773,810	1,772,347	219,689
Total liabilities..	$ 271,772	$ 1,966,013	$ 1,965,991	$ 271,794

Statistical Section

Photo by Lewis Sommer, San Francisco Convention & Visitors Bureau

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.

Contents

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. (Pages 184-191)

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax. (Pages 192-195)

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. (Pages 196-201)

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. (Pages 202-203)

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. (Pages 204-206)

Sources:
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* in 2001; schedules presenting government-wide data include information beginning in that year.

NET ASSETS BY COMPONENT

Last Seven Fiscal Years

(accrual basis of accounting)

(In Thousands)

	Fiscal Year						
	2001 (1)	2002 (2)	2003 (3)	2004	2005	2006	2007
Governmental activities							
Invested in capital assets, net of related debt...	$ 779,698	$ 887,667	$ 983,834	$ 1,096,834	$ 1,159,696	$ 1,438,010	$ 1,454,614
Restricted for:							
Cash and emergencies requirements by Charter (4)	97,491	93,293	59,337	55,139	-	-	-
Reserve for rainy day	-	-	-	-	48,139	121,976	133,622
Debt service	10,855	12,135	7,795	9,996	46,575	53,076	28,310
Capital projects	118,549	115,052	86,912	48,313	25,101	10,589	19,128
Community development	181,264	135,308	158,591	163,875	208,532	71,207	63,043
Transportation Authority activities	162,037	142,740	149,070	135,466	75,282	23,727	10,390
Other purposes	153,838	219,351	133,233	122,265	138,224	148,071	176,350
Unrestricted (deficit)	(45,402)	(130,525)	(265,950)	(325,147)	(200,467)	(72,038)	(14,446)
Total governmental activities net assets	$ 1,458,330	$ 1,475,021	$ 1,312,822	$ 1,306,741	$ 1,501,082	$ 1,794,618	$ 1,871,011
Business-type activities							
Invested in capital assets, net of related debt...	$ 2,970,198	$ 3,115,392	$ 3,273,449	$ 3,416,154	$ 3,391,450	$ 3,438,397	$ 3,795,006
Restricted for:							
Debt service	276,392	334,747	273,242	242,537	202,006	256,055	249,656
Capital projects	189,103	141,154	147,693	128,387	161,231	148,957	75,771
Other purposes	112,335	70,118	61,616	61,241	66,753	32,354	23,709
Unrestricted	578,675	568,599	542,813	464,658	446,039	536,870	567,122
Total business-type activities net assets	$ 4,126,703	$ 4,230,010	$ 4,298,813	$ 4,312,977	$ 4,267,479	$ 4,412,433	$ 4,711,264
Primary government							
Invested in capital assets, net of related debt...	$ 3,749,896	$ 4,003,059	$ 4,257,283	$ 4,512,988	$ 4,551,146	$ 4,876,407	$ 5,249,620
Restricted for:							
Cash and emergencies requirements by Charter	97,491	93,293	59,337	55,139	-	-	-
Reserve for rainy day	-	-	-	-	48,139	121,976	133,622
Debt service	287,247	346,882	281,037	252,533	248,581	309,131	277,966
Capital projects	307,652	256,206	234,605	176,700	186,332	159,546	94,899
Community development	181,264	135,308	158,591	163,875	208,532	71,207	63,043
Transportation Authority activities	162,037	142,740	149,070	135,466	75,282	23,727	10,390
Other purposes	266,173	289,469	194,849	183,506	204,977	180,425	200,059
Unrestricted	533,273	438,074	276,863	139,511	245,572	464,632	552,676
Total primary activities net assets	$ 5,585,033	$ 5,705,031	$ 5,611,635	$ 5,619,718	$ 5,768,561	$ 6,207,051	$ 6,582,275

Notes:

(1) Trend data is only available for the last seven fiscal years due to the implementation of GASB Statement 34 in fiscal year 2000-2001.

(2) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.

(3) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business-type activities.

(4) The City's Charter was amended in November 2003 and replaced the reserve for cash and emergencies requirements by Charter with the reserve for rainy day.

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CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET ASSETS

Last Seven Fiscal Years

(accrual basis of accounting)

(In Thousands)

	Fiscal Year						
	2001 [(1)]	2002 [(2)]	2003 [(3)]	2004	2005	2006	2007
Expenses							
Governmental activities:							
Public protection	$ 699,472	$ 717,552	$ 778,710	$ 727,580	$ 738,688	$ 780,642	$ 870,381
Public works, transportation and commerce	309,171	317,778	287,910	169,179	213,335	272,397	309,095
Human welfare and neighborhood development	523,827	586,188	626,306	651,250	619,753	858,396	751,034
Community health	457,500	493,856	542,480	517,066	503,259	478,844	516,321
Culture and recreation	229,721	246,620	242,398	232,187	256,336	244,423	290,547
General administration and finance	107,318	156,770	186,144	183,258	152,850	167,490	185,961
General City responsibilities	109,804	55,551	53,026	73,530	59,024	49,054	67,948
Unallocated Interest on long-term debt	73,588	77,335	77,827	86,131	89,690	94,923	94,060
Total governmental activities expenses	2,510,401	2,651,650	2,794,801	2,640,181	2,632,935	2,946,169	3,085,347
Business-type activities:							
Airport	529,002	599,335	641,036	618,301	628,445	633,102	624,832
Transportation	468,753	528,725	628,180	660,650	711,733	695,593	726,053
Port	47,587	58,694	61,074	61,185	54,897	55,329	61,937
Water	145,858	165,362	186,579	206,211	197,848	213,584	236,824
Power	107,000	113,754	95,427	121,629	116,683	119,146	95,020
Hospitals	513,486	525,045	561,673	562,188	598,160	646,149	714,349
Sewer	149,687	159,896	153,845	150,586	160,650	160,701	168,954
Garages	34,155	32,274	-	-	-	-	-
Market	-	-	894	949	1,055	1,035	1,061
Total business-type activities expenses	1,995,528	2,183,085	2,328,708	2,381,699	2,469,471	2,524,639	2,629,030
Total primary government expenses	$ 4,505,929	$ 4,834,735	$ 5,123,509	$ 5,021,880	$ 5,102,406	$ 5,470,808	$ 5,714,377
Program Revenues							
Governmental activities:							
Charges for services:							
Public protection	$ 43,051	$ 42,254	$ 44,291	$ 40,349	$ 54,805	$ 51,874	$ 58,979
Public works, transportation and commerce	97,432	102,576	84,057	83,176	95,081	113,861	111,364
Human welfare and neighborhood development	12,742	20,292	26,349	23,931	21,375	29,181	56,367
Community health	29,999	36,176	41,906	38,933	44,850	52,183	50,266
Culture and recreation	57,191	47,116	44,629	53,369	64,614	64,720	65,407
General administration and finance	49,977	53,434	36,525	43,585	41,348	55,799	10,502
General City responsibilities	54,329	47,050	41,123	59,609	28,956	31,647	29,604
Operating Grants and Contributions	763,863	781,767	809,670	823,784	834,607	859,919	927,256
Capital Grants and Contributions	22,619	58,394	46,029	39,209	55,435	248,329	50,479
Total Governmental activities program revenues	1,131,203	1,189,059	1,174,579	1,205,945	1,241,071	1,507,513	1,360,224
Business-type activities:							
Charges for services:							
Airport	414,880	465,176	500,116	486,132	477,314	455,342	503,914
Transportation	113,196	107,455	155,656	186,390	187,913	210,692	222,115
Port	50,345	50,494	54,467	56,702	57,519	58,588	61,193
Water	149,917	147,216	170,253	168,260	184,835	201,833	216,531
Power	101,963	125,777	132,190	124,474	132,303	149,500	108,224
Hospitals	398,461	412,874	429,128	453,607	493,596	472,327	515,092
Sewer	141,770	134,595	134,745	137,806	148,888	164,703	193,411
Garages	37,589	35,645	-	-	-	-	-
Market	-	-	1,296	1,413	1,462	1,503	1,567
Operating Grants and Contributions	260,520	282,059	164,257	169,767	180,807	188,672	183,301
Capital Grants and Contributions	335,520	251,747	204,751	94,818	93,724	110,403	150,080
Total business-type activities program revenues	2,004,161	2,013,038	1,946,859	1,879,369	1,958,361	2,013,563	2,155,428
Total primary government program revenues	$ 3,135,364	$ 3,202,097	$ 3,121,438	$ 3,085,314	$ 3,199,432	$ 3,521,076	$ 3,515,652
Net (expenses)/revenue							
Governmental activities	$(1,379,198)	$(1,462,591)	$(1,620,222)	$(1,434,236)	$(1,391,864)	$(1,438,656)	$(1,725,123)
Business-type activities	8,633	(170,047)	(381,849)	(502,330)	(511,110)	(511,076)	(473,602)
Total primary government net expenses	$(1,370,565)	$(1,632,638)	$(2,002,071)	$(1,936,566)	$(1,902,974)	$(1,949,732)	$(2,198,725)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

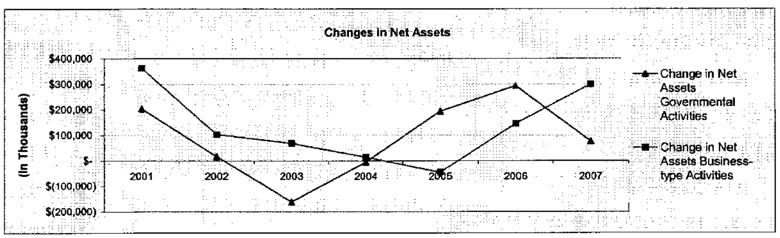
CHANGES IN NET ASSETS (Continued)

Last Seven Fiscal Years

(accrual basis of accounting)

(In Thousands)

	Fiscal Year						
	2001 (1)	2002 (2)	2003 (3)	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property taxes	$ 628,846	$ 697,703	$ 686,858	$ 723,786	$ 920,314	$ 1,016,220	$ 1,126,992
Business taxes	277,822	274,848	276,651	264,832	292,763	323,153	337,592
Other local taxes	581,480	444,590	450,677	509,455	538,085	595,664	668,824
Interest and investment income	81,084	70,597	26,332	11,856	29,490	71,129	86,233
Other	115,695	115,943	196,496	170,163	47,153	56,022	33,046
Transfers - internal activities of primary government	(102,154)	(124,399)	(178,991)	(251,937)	(241,600)	(329,996)	(451,171)
Total governmental activities	1,582,773	1,479,282	1,458,023	1,428,155	1,586,205	1,732,192	1,801,516
Business-type activities:							
Interest and investment income	96,493	63,530	50,215	17,620	33,268	53,161	85,692
Other	28,779	85,425	188,446	237,692	237,102	272,873	218,184
Special item	126,014	-	33,000	9,245	(46,358)	-	17,386
Transfers - internal activities of primary government	102,154	124,399	178,991	251,937	241,600	329,996	451,171
Total business-type activities	353,440	273,354	450,652	516,494	465,612	656,030	772,433
Total primary government	$ 1,936,213	$ 1,752,636	$ 1,908,675	$ 1,944,649	$ 2,051,817	$ 2,388,222	$ 2,573,949
Change in Net Assets							
Governmental activities	$ 203,575	$ 16,691	$ (162,199)	$ (6,081)	$ 194,341	$ 293,536	$ 76,393
Business-type activities	362,073	103,307	68,803	14,164	(45,498)	144,954	298,831
Total primary government	$ 565,648	$ 119,998	$ (93,396)	$ 8,083	$ 148,843	$ 438,490	$ 375,224



Notes:

(1) Trend data is only available for the last seven fiscal years due to the implementation of GASB Statement 34 in fiscal year 2000-2001.

(2) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.

(3) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business-type activities.

CITY AND COUNTY OF SAN FRANCISCO

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	Fiscal Year									
	1998	1999	2000 (1)	2001	2002 (2)	2003 (3)	2004 (4)	2005	2006	2007 (5)
General Fund										
Reserved by charter for cash and emergency requirements	$ 74,230	$ 80,076	$ 88,125	$ 97,491	$ 97,491	$ 59,337	$ -	$ -	$ -	$ -
Reserved for rainy day	-	-	-	-	-	-	55,139	48,139	121,976	133,622
Reserved for assets not available for appropriation	4,978	5,163	5,576	6,089	6,406	6,768	7,142	9,031	10,710	12,665
Reserved for encumbrances	49,707	43,602	32,808	37,743	52,735	43,195	42,501	57,762	38,159	60,948
Reserved for appropriation carryforward	40,253	50,284	74,051	77,060	61,716	26,880	35,754	36,198	124,009	161,127
Reserved for subsequent years' budgets	7,121	26,013	29,990	53,337	25,379	15,414	6,242	22,351	27,451	32,062
Unreserved	44,261	35,725	45,090	207,467	136,664	44,718	63,657	134,199	138,971	141,037
Total general fund	$ 220,550	$ 240,863	$ 275,640	$ 479,187	$ 380,391	$ 196,312	$ 210,435	$ 307,680	$ 461,276	$ 541,461
All other governmental funds										
Reserved for assets not available for appropriation	$ 74,425	$ 54,054	$ 72,433	$ 51,548	$ 41,233	$ 25,906	$ 17,443	$ 17,683	$ 20,202	$ 19,413
Reserved for debt service	28,676	34,785	27,694	63,308	36,548	33,866	18,800	45,540	57,429	51,299
Reserved for encumbrances	324,240	332,258	267,168	373,088	340,591	278,656	142,784	97,920	423,120	288,948
Reserved for appropriation carryforward	355,179	282,711	330,687	446,211	285,508	227,818	287,690	549,571	294,340	292,234
Reserved for subsequent years' budgets	-	1,660	3,520	9,664	18,604	8,004	8,005	8,004	8,004	8,004
Unreserved reported in:										
Special revenue funds	58,731	48,119	40,790	54,018	97,167	67,988	19,043	30,809	35,243	47,445
Capital projects funds	17,730	32,658	44,729	11,629	44,487	40,561	10,048	7,193	13,662	(373)
Permanent fund	-	-	-	4,064	4,433	4,227	3,326	3,856	2,308	3,508
Fiduciary funds	3,755	3,576	5,083	-	-	-	-	-	-	-
Total other governmental funds	$ 862,736	$ 789,821	$ 792,104	$ 1,013,530	$ 868,571	$ 687,026	$ 507,139	$ 760,576	$ 854,308	$ 710,478

Notes:

(1) Through fiscal year 1999-2000, Expendable Trust Funds were reported as part of Fiduciary Fund Types. Due to the implementation of GASB Statement 34 in fiscal year 2000-2001, Expendable Trust Funds were reported as Special Revenue and Permanent Fund Types.

(2) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.

(3) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business-type activities.

(4) The City's Charter was amended in November 2003 and replaced the requirements for a cash requirement reserve and an emergency reserve with the rainy day reserve.

(5) The change in reserved and unreserved fund balance in fiscal year 2006-2007 is explained in Management's Discussion and Analysis.

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									
	1998	1999	2000 (1)	2001 (2)	2002 (3)	2003 (4)	2004	2005 (5)	2006	2007
Revenues:										
Property taxes	$ 479,912	$ 527,176	$ 544,210	$ 627,654	$ 687,150	$ 686,154	$ 721,437	$ 918,645	$ 1,008,151	$ 1,107,864
Business taxes	223,647	229,905	267,918	277,822	274,848	276,651	264,832	292,763	323,153	337,592
Other local taxes	445,628	481,362	547,470	581,480	444,590	450,677	509,455	538,085	595,664	668,824
Licenses, permits and franchises	18,564	20,685	21,025	23,503	25,762	21,648	23,788	25,942	27,662	27,428
Fines, forfeitures and penalties	6,103	19,800	12,658	12,773	12,045	9,000	25,183	12,509	14,449	8,871
Interest and investment income	76,674	56,023	60,542	91,429	65,597	25,570	11,630	28,268	70,046	83,846
Rent and concessions	65,701	61,516	72,948	75,382	63,623	55,369	58,979	49,450	52,426	52,493
Intergovernmental:										
Federal	249,860	260,696	288,537	296,758	307,943	320,254	344,155	348,764	350,985	381,688
State	479,001	468,968	555,750	575,361	608,804	690,271	630,953	522,937	565,989	582,666
Other	195	2,562	4,695	6,245	33,924	24,623	18,259	25,783	23,500	15,689
Charges for services	167,658	161,689	186,733	215,412	225,547	221,883	217,647	241,750	263,994	273,057
Other	15,384	22,577	18,834	31,119	26,405	27,092	57,144	57,487	61,565	44,084
Total revenues	2,228,327	2,312,959	2,581,320	2,814,938	2,776,238	2,809,192	2,883,462	3,062,383	3,357,584	3,584,102
Expenditures										
Public protection	617,756	592,833	632,737	672,119	690,050	734,811	706,758	738,494	787,398	865,556
Public works, transportation and commerce	134,601	169,514	231,991	299,949	296,411	267,034	165,555	195,896	274,669	280,907
Human welfare and neighborhood development	415,636	522,487	515,007	557,242	613,133	670,670	662,948	644,899	697,102	740,171
Community health	430,501	455,162	434,386	454,975	484,826	524,771	512,914	501,050	471,741	509,844
Culture and recreation	189,743	266,879	204,081	233,863	238,326	252,477	273,163	239,022	256,979	286,135
General administration and finance	149,709	174,930	174,999	150,482	164,745	163,748	153,709	135,118	161,195	167,505
General City responsibilities	-	-	45,194	109,753	54,628	53,323	74,623	62,799	53,763	57,532
Debt service:										
Principal retirement	67,535	52,715	63,596	69,870	69,536	100,902	78,831	80,306	86,970	98,169
Interest and fiscal charges	48,017	56,823	60,650	68,367	68,111	64,243	61,886	61,524	75,975	71,266
Bond issuance costs	-	-	-	7,368	2,987	1,646	1,350	4,842	1,933	3,683
Capital outlay	218,401	244,070	188,793	170,472	276,662	248,928	165,872	130,224	153,493	283,370
Total expenditures	2,271,899	2,535,413	2,551,434	2,794,460	2,959,415	3,082,553	2,857,609	2,794,174	3,021,218	3,364,138
Excess (deficiency) of revenues over expenditures	(43,572)	(222,454)	29,886	20,478	(183,177)	(273,361)	25,853	268,209	336,366	219,964

(Continued)

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CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)

Last Ten Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	Fiscal Year									
	1998	1999	2000 (1)	2001 (2)	2002 (3)	2003 (4)	2004	2005 (5)	2006	2007
Other financing sources (uses):										
Transfer in	297,031	275,205	340,880	261,957	267,107	226,520	204,660	271,553	224,523	217,298
Transfer out	(254,228)	(290,639)	(428,615)	(365,178)	(536,680)	(423,936)	(456,852)	(513,423)	(555,155)	(668,847)
Issuance of bonds and loans:										
Face value of bonds issued	574,542	200,450	94,909	394,040	249,995	71,310	116,645	346,225	219,120	312,955
Face value of loans issued	-	-	-	803	3,095	323	2,156	500	5,359	141
Premium on issuance of bonds	-	-	-	(2,773)	(238)	-	1,411	11,989	10,233	3,521
Discount on issuance of bonds	-	-	-	-	-	-	-	-	-	(1,856)
Payment to refunded bond escrow agent	(450,941)	(28,229)	-	-	(136,230)	-	(65,802)	(38,913)	-	(159,610)
Other financing sources - capital leases	237	-	-	-	92,373	33,520	6,165	4,542	6,882	12,789
Total other financing sources (uses)	166,641	156,787	7,174	288,849	(60,578)	(92,263)	(191,617)	82,473	(89,038)	(283,609)
Net change in fund balances	$ 123,069	$ (65,667)	$ 37,060	$ 309,327	$ (243,755)	$ (365,624)	$ (165,764)	$ 350,682	$ 247,328	$ (63,645)
Debt service as a percentage of noncapital expenditures	5.63%	4.78%	5.26%	5.55%	5.24%	5.89%	5.28%	5.51%	5.75%	5.62%
Debt service as a percentage of total expenditures	5.09%	4.32%	4.87%	5.21%	4.75%	5.41%	4.97%	5.25%	5.46%	5.15%

Notes:

(1) Through fiscal year 1999-2000, Expendable Trust Funds were reported as part of Fiduciary Fund Types. Due to the implementation of GASB Statement 34 in fiscal year 2000-2001, Expendable Trust Funds were reported as Special Revenue and Permanent Fund Types.

(2) Prior to fiscal year 2000-2001, bond issuance discounts and premiums were included in the face values of bonds issued.

(3) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.

(4) For General Obligation Bonds authorized and issued prior to the passage of Proposition 39 in 2003, transfer of the proceeds to San Francisco Community College District and San Francisco Unified School District was included as Human Welfare & Neighborhood Development expenditures.

(5) Prior to fiscal year 2004-2005, transfers of base rental payments from various Certificate of Participation Special Revenue Funds which provide for debt service payments were recorded as current expenditures in paying departments/funds and rental income in debt service funds. Beginning fiscal year 2004-2005, they were recorded as transfers.

CITY AND COUNTY OF SAN FRANCISCO

ASSESSED VALUE OF TAXABLE PROPERTY (1)(3)(4)

Last Ten Fiscal Years

(In Thousands)

	Assessed Value			Exemptions (2)			Total Taxable	Total
Fiscal Year	Real Property	Personal Property	Total	Non-reim-bursable	Reim-bursable	Redevelopment Tax Increments	Assessed Value	Direct Tax Rate
1998 (3).....	$59,010,846	$2,585,594	$61,596,440	$2,331,980	$668,877	$3,343,618	$55,251,965	1.00%
1999 (4).....	61,700,799	4,010,092	65,710,891	2,663,293	668,010	2,672,017	59,707,571	1.00%
2000 (4).....	66,859,683	4,384,155	71,243,838	2,783,904	666,747	2,844,489	64,948,698	1.00%
2001 (4).....	73,712,384	7,807,032	81,519,416	2,800,943	670,468	3,175,792	74,872,213	1.00%
2002 (4).....	88,866,299	4,686,951	93,553,250	3,129,961	665,145	5,291,437	84,466,707	1.00%
2003 (4).....	93,467,166	4,639,579	98,106,745	3,407,736	671,640	3,777,328	90,250,041	1.00%
2004 (4).....	99,878,960	3,848,851	103,727,811	3,706,357	689,558	3,892,143	95,439,753	1.00%
2005 (4).....	106,805,910	3,736,998	110,542,908	4,017,052	678,120	5,199,856	100,647,880	1.00%
2006 (4).....	114,767,252	3,465,752	118,233,004	4,246,112	657,834	6,453,299	106,875,759	1.00%
2007 (4).....	126,074,101	3,524,897	129,598,998	4,617,851	657,144	7,333,916	116,990,087	1.00%

Source:
Controller, City and County of San Francisco

Notes:

(1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.

(2) Exemptions are summarized as follows:
- (a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
- (b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
- (c) Tax increments are allocations made to the San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and the Redevelopment Agency.

(3) Based on certified assessed values.

(4) Based on year end actual assessed values.

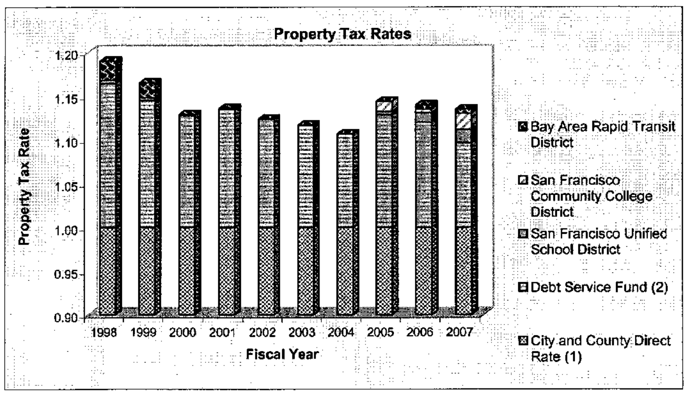
CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(Rate Per $1,000 of Assessed Value)

		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
1998	$ 1.00000000	$ 0.16430174	$ 0.00369826	$ -	$ 0.02200000	$ 1.1900
1999	1.00000000	0.14493925	0.00338075	-	0.01668000	1.1650
2000	1.00000000	0.12766122	0.00133878	-	-	1.1290
2001	1.00000000	0.13481356	0.00118644	-	-	1.1360
2002	1.00000000	0.12359506	0.00040494	-	-	1.1240
2003	1.00000000	0.11671113	0.00028887	-	-	1.1170
2004	1.00000000	0.10682335	0.00017665	-	-	1.1070
2005	1.00000000	0.12838968	0.00393518	0.01167514	-	1.1440
2006	1.00000000	0.12012547	0.01092226	0.00415227	0.00480000	1.1400
2007	1.00000000	0.09657879	0.01532351	0.01809770	0.00500000	1.1350



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

(In Thousands)

		Fiscal Year 2007			Fiscal Year 1998		
Assessee	Type of Business	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (2)(3)
HWA 555 Owners LLC	Office, Commercial	$ 868,020	1	0.74%	$ -		-
EOP - One Market LLC	Office, Commercial	433,499	2	0.37	-		-
Marriott Hotel	Hotel	405,542	3	0.35	285,257	5	0.46
Four Embarcadero Center Venture	Office, Commercial	365,081	4	0.31	-		-
Post-Montgomery Associates	Office, Commercial	355,945	5	0.30	-		-
One Embarcadero Center Venture	Office, Commercial	314,699	6	0.27	-		-
Three Embarcadero Center Venture	Office, Commercial	296,043	7	0.25	-		-
Embarcadero Center Associates	Office, Commercial	294,873	8	0.25	570,448	3	0.93
Emporium Mall LLC	Shopping Center	293,703	9	0.25	-		-
101 California Venture	Office, Commercial	293,372	10	0.25	238,680	6	0.39
Pacific Gas and Electric Company	Utilities				1,082,815	1	1.76
SBC California (Formerly Pacific Bell)	Utilities				778,800	2	1.26
555 California Street Partners	Office, Commercial				561,056	4	0.91
ZML One Market Ltd Partnership	Office, Commercial				235,141	7	0.38
San Francisco Hilton Joint Venture	Hotel				213,791	8	0.35
Viacom Cablevision	Cable TV, Possessory Interest, Personal Property				205,301	9	0.33
Westin St. Francis Ltd.	Hotel				196,094	10	0.32
Total		$ 3,920,777		3.34%	$4,367,383		7.09%

Source: Assessor, City and County of San Francisco

Notes:
(1) Data for fiscal year 2006-2007 updated as of June 27, 2007.
(2) Assessed values for fiscal years 2006-2007 and 1997-1998 are from the tax rolls of calendar years 2006 and 1997, respectively.
(3) Reflects revised calculations due to GASB 44 implementation.

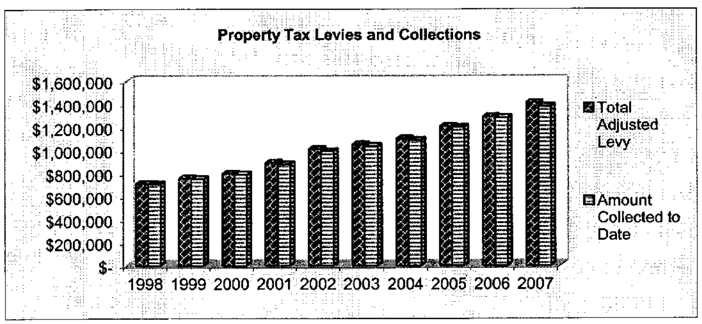
CITY AND COUNTY OF SAN FRANCISCO

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: Amount	Collected within the Fiscal Year of the Levy: Percentage of Original Levy	Collections in Subsequent Years [3]	Total Collections to Date: Amount	Total Collections to Date: Percentage of Adjusted Levy
1998	$ 709,852	$ 697,755	98.30%	$ 8,917	$ 706,672	99.55%
1999	757,899	742,774	98.00	8,719	751,493	99.15
2000	799,385	784,984	98.20	6,153	791,137	98.97
2001	892,675	877,170	98.26	3,526	880,696	98.66
2002	1,010,960	985,838	97.52	7,366	993,204	98.24
2003	1,051,921	1,028,649	97.79	5,766	1,034,415	98.34
2004	1,100,951	1,079,354	98.04	9,092	1,088,446	98.86
2005	1,208,044	1,179,959	97.68	18,010	1,197,969	99.17
2006	1,291,491	1,263,396	97.82	17,524	1,280,920	99.18
2007	1,411,316	1,372,174	97.23	5,959	1,378,133	97.65



Source: Controller, City and County of San Francisco

Notes:

(1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District and San Francisco Redevelopment Agency.

(2) Does not include SB-813 supplemental property taxes.

(3) Collections in subsequent years reflect assessment appeals reduction.

CITY AND COUNTY OF SAN FRANCISCO

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

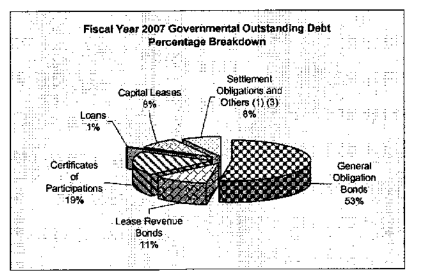
(In Thousands, except per capita amount)

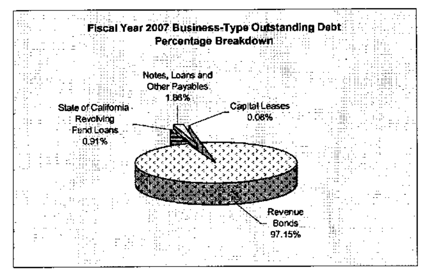
Governmental Activities

Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participations	Loans	Capital Leases	Settlement Obligations and Others [1] [3]	Subtotal
1998......	$ 807,300	$ 111,935	$ 89,456	$ 256	$ 3,787	$ -	$ 1,012,734
1999......	886,260	157,585	86,617	9,385	3,299	-	1,143,146
2000......	911,625	151,165	91,926	17,313	2,507	-	1,174,536
2001......	953,535	302,405	225,707	15,816	232,485	-	1,729,948
2002......	917,220	293,810	259,360	13,007	226,541	54,820	1,764,758
2003......	859,625	252,035	296,135	9,278	212,649	49,470	1,679,192
2004......	844,350	245,680	290,635	9,515	194,815	94,275	1,679,270
2005......	1,086,355	230,620	283,320	7,961	198,703	188,670	1,995,629
2006......	1,232,205	231,265	276,160	12,377	190,279	182,955	2,125,241
2007......	1,155,944	249,550	420,620	11,640	185,736	177,095	2,200,585

Business-Type Activities [1] [2]

Fiscal Year	Revenue Bonds	General Obligation Bonds	State of California - Revolving Fund Loans	Commercial Paper	Notes, Loans and Other Payables	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income [4]	Per Capita [4]
1998....	$ 3,428,048	$ 13,915	$ 178,604	$ 103,065	$ 13,521	$ 4,610	$ 3,741,763	$ 4,754,497	14.17%	$ 6,307
1999....	4,116,131	6,430	167,730	199,775	11,492	2,137	4,503,695	5,646,841	14.91	7,407
2000....	4,316,452	4,400	180,295	271,650	10,628	1,888	4,785,313	5,959,849	13.91	7,690
2001....	4,501,515	3,200	193,597	472,541	12,267	779	5,183,899	6,913,847	15.80	8,818
2002....	5,177,760	2,000	179,591	90,000	4,076	1,342	5,454,769	7,219,527	16.83	9,151
2003....	5,284,535	800	165,125	-	29,592	4,210	5,484,262	7,163,454	16.24	9,050
2004....	5,167,405	400	150,196	25,000	27,280	4,891	5,375,172	7,054,442	14.97	8,895
2005....	5,084,426	-	134,783	80,000	24,529	4,754	5,328,492	7,324,121	14.58	9,209
2006....	5,506,030	-	118,868	-	20,017	5,522	5,650,437	7,775,678	14.49	9,718
2007....	5,353,720	-	102,438	50,000	15,292	4,499	5,525,949	7,726,534	13.72	9,553





Notes:

(1) Through fiscal year 1999-2000, business-type revenue bonds were reported net of deferred amount on discount and unamortized bond premium. Upon the implementation of GASB 34 in fiscal year 2000-2001, business type revenue bonds excluded deferred amount on refunding and unamortized bond premium.

(2) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business activities.

(3) Includes commercial paper issued by San Francisco County Transportation Authority .

(4) See Demographic and Economic Statistics, page 202, for personal income and population data.

CITY AND COUNTY OF SAN FRANCISCO

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(In Thousands, except per capita amount)

Fiscal Year	General Obligation Bonds [1]	Less: Amounts Restricted for Debt Service [1]	Total	Per Capita [2]
1998	$ 807,300	$ 5,151	$ 802,149	$ 1,064
1999	886,260	10,323	875,937	1,149
2000	911,625	6,168	905,457	1,168
2001	953,535	14,809	938,726	1,197
2002	917,220	20,395	896,825	1,137
2003	859,625	13,304	846,321	1,069
2004	844,350	1,533	842,817	1,063
2005	1,086,355	33,774	1,052,581	1,323
2006	1,232,205	46,929	1,185,276	1,481
2007	1,155,944	35,249	1,120,695	1,386

Notes:
(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(2) Population data can be found in Demographic and Economic Statistics, page 202.

CITY AND COUNTY OF SAN FRANCISCO

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(In Thousands)

	1998	1999	2000	2001	2002
Debt limit	$ 1,777,934	$ 1,940,012	$ 2,053,798	$ 2,361,554	$ 2,712,699
Total net debt applicable to limit	807,300	886,260	911,625	953,535	917,220
Legal debt margin	$ 970,634	$ 1,053,752	$ 1,142,173	$ 1,408,019	$ 1,795,479
Total net debt applicable to the limit as a percentage of debt limit	45.41%	45.68%	44.39%	40.38%	33.81%

	2003	2004	2005	2006	2007
Debt limit	$ 2,840,970	$ 3,000,644	$ 3,195,776	$ 3,419,607	$ 3,749,434
Total net debt applicable to limit	859,625	844,350	1,086,355	1,232,205	1,155,944
Legal debt margin	$ 1,981,345	$ 2,156,294	$ 2,109,421	$ 2,187,402	$ 2,593,490
Total net debt applicable to the limit as a percentage of debt limit	30.26%	28.14%	33.99%	36.03%	30.83%

Legal Debt Margin Calculation for Fiscal Year 2007

Total assessed value	$	129,598,998
Less: non-reimbursable exemptions [1]		4,617,851
Assessed value [1]	$	124,981,147
Debt limit (three percent of valuation subject to taxation [2])	$	3,749,434
Debt applicable to limit:		
Less: general obligation bonds		1,155,944
Legal debt margin	$	2,593,490

Source:
(1) Assessor, City and County of San Francisco

Note:
(2) 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, 2007

District	Total General Debt Outstanding	Estimated Percentage Applicable to City and County [1]	Estimated Share of Overlapping Debt
Bay Area Rapid Transit District...................................	$ 87,185,000	29.00%	$ 25,283,650
San Francisco Unified School District..........................	363,680,000	100.00	363,680,000
San Francisco Community College District...................	264,370,000	100.00	264,370,000
Subtotal, overlapping debt..			653,333,650
City and County of San Francisco direct debt..................			1,155,943,793
Total net direct and overlapping debt..........................			$ 1,809,277,443
Population - 2007 [2]..			808,844
			$ 2,236.87

Note: Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the district's boundaries and dividing it by the City's total taxable assessed value.

(2) Source: Department of Finance, State of California

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
1998	$ 295,150	$ 165,929	$ 129,221	$ 15,520	$ 68,956	$ 84,476	1.53
1999	340,646	189,017	151,629	18,250	93,596	111,846	1.36
2000	403,281	197,175	206,106	19,835	136,413	156,248	1.32
2001	463,488	261,061	202,427	21,215	177,800	199,015	1.02
2002	496,688	266,299	230,389	27,290	213,663	240,953	0.96
2003	533,253	295,672	237,581	52,260	224,364	276,624	0.86
2004	493,682	235,765	257,917	70,630	221,208	291,838	0.88
2005	496,485	253,931	242,554	78,555	207,430	285,985	0.85
2006	480,673	267,387	213,286	79,125	199,419	278,544	0.77
2007	540,186	284,692	255,494	79,415	192,746	272,161	0.94

(1) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the Airport Commission's 1991 Master Resolution which authorized the sale and issuance of these bonds.
(2) Operating revenues consist of Airport operating revenues and interest and investment income.
(3) In accordance with GASB Statement No. 44, Airport operating expenses related to the pledged revenues exclude interest, depreciation or amortization.

San Francisco Water Department [4]

Fiscal Year	Gross Revenues [5]	Less: Operating Expenses [6]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1998	$ 129,461	$ 82,075	$ 47,386	$ 103,235	$ 17,168	$ 120,403	0.39
1999	138,576	105,494	33,082	6,440	13,918	20,358	1.63
2000	144,220	126,432	17,788	7,415	14,012	21,427	0.83
2001	149,917	127,707	22,210	6,956	14,411	21,367	1.04
2002	147,216	122,521	24,695	7,350	18,686	26,036	0.95
2003	170,253	136,093	34,160	11,789	21,655	33,444	1.02
2004	168,260	152,268	15,992	13,345	24,056	37,401	0.43
2005	184,835	136,341	48,494	14,055	23,658	37,713	1.29
2006	201,833	145,057	56,776	14,790 [7]	20,585	35,375	1.60
2007	216,531	153,663	62,868	16,160	48,955	65,115	0.97

(4) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(5) Gross revenue consists of charges for services, rental income and other income.
(6) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest, depreciation or amortization.
(7) Principal payment was restated to exclude principal refunding in FY 2006.

Municipal Transportation Agency

Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges [8]	Less: Operating Expenses [9][10]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1998	$ 12,938	$ 4,850	$ 8,088	$ 480	$ 1,668	$ 2,148	3.77
1999	13,217	3,131	10,086	505	1,635	2,140	4.71
2000	13,906	4,768	9,138	1,240	1,552	2,792	3.27
2001	13,759	4,642	9,117	1,390	1,459	2,849	3.20
2002	13,354	5,351	8,003	1,440	1,437	2,877	2.78
2003	15,633	6,227	9,406	3,274	2,312	5,586	1.68
2004	25,604	10,430	15,174	4,943	2,854	7,797	1.95
2005	25,623	14,071	11,552	5,193	2,582	7,775	1.49
2006	31,116	14,960	16,156	5,471	2,317	7,788	2.07
2007	31,801	16,907	14,894	5,734	1,989	7,723	1.93

(8) The Parking Authority leased North Beach, Moscone, and San Francisco General Hospital garages to the City. In return, the City pledged to pay off the debt service with its base (lease) rental payment. Gross Meter Revenue consists of revenues from all meters in San Francisco except the meters on Port and Airport properties.
(9) The annual budget for the Parking Program includes the Parking Authority that manages garages and the Parking Meter Program that maintains meters. The operating expense is the year-end total expenditures net of all debt service payments.
(10) Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses related to the pledged revenue stream do not include interest, depreciation or amortization expenses.

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

PLEDGED-REVENUE COVERAGE (Continued)

Last Ten Fiscal Years

(In Thousands)

San Francisco Wastewater Enterprise (11)

Fiscal Year	Gross Revenues (12)	Less: Operating Expenses (13)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1998	$ 140,898	$ 71,943	$ 68,955	$ 32,027	$ 35,262	$ 67,289	1.02
1999	142,974	71,985	70,989	33,864	34,965	68,829	1.03
2000	145,495	77,104	68,391	31,845	32,395	64,240	1.06
2001	141,770	79,902	61,868	35,270	31,109	66,379	0.93
2002	134,595	90,642	43,953	66,006	30,604	96,610	0.45
2003	134,745	90,808	43,937	69,871	15,820	85,691	0.51
2004	137,806	91,822	45,984	14,929	23,709	38,638	1.19
2005	148,888	101,490	47,398	15,413	21,937	37,350	1.27
2006	164,703	103,726	60,977	15,915	21,438	37,353	1.63
2007	193,411	114,917	78,494	49,875	20,419	70,294	1.12

(11) 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.
(12) Gross revenue consists of charges for services, rental income and other income.
(13) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest, depreciation or amortization.

Port of San Francisco (14)

Fiscal Year	Total Operating Revenues (15)	Less: Operating Expenses (16)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1998	$ 40,947	$ 24,431	$ 16,516	$ 2,675	$ 2,740	$ 5,415	3.05
1999	45,428	27,111	18,317	2,800	2,614	5,414	3.38
2000	49,127	29,052	20,075	2,930	2,472	5,402	3.72
2001	54,453	37,129	17,324	3,085	2,318	5,403	3.21
2002	53,740	47,759	5,981	3,235	2,156	5,391	1.11
2003	56,241	50,103	6,138	3,405	1,976	5,381	1.14
2004	57,782	49,707	8,075	3,595	1,719	5,314	1.52
2005	59,217	43,786	15,431	3,920	1,012	4,932	3.13
2006	61,581	44,893	16,688	3,390	554	3,944	4.23
2007	65,416	50,887	14,529	3,975	453	4,428	3.28

(14) 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.
(15) Total revenues consist of operating revenues and interest and investment income.
(16) 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. For fiscal years 1997-1998 and 1998-1999 operating expenses, as presented above, includes the debt service obligation of the State of California General Obligation Bonds of $302, and $291, respectively. The State General Obligation Bonds were fully paid in fiscal year 1998-1999.

Total Business-type Activities

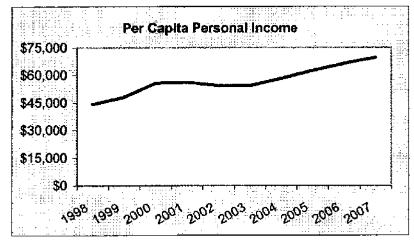
Fiscal Year	Total Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1998	$ 619,394	$ 349,228	$ 270,166	$ 153,937	$ 125,794	$ 279,731	0.97
1999	680,841	396,738	284,103	61,859	146,728	208,587	1.36
2000	756,029	434,531	321,498	63,265	186,844	250,109	1.29
2001	823,387	510,441	312,946	67,916	227,097	295,013	1.06
2002	845,593	532,572	313,021	105,321	266,546	371,867	0.84
2003	910,125	578,903	331,222	140,599	266,127	406,726	0.81
2004	883,134	539,992	343,142	107,442	273,546	380,988	0.90
2005	915,048	549,619	365,429	117,136	256,619	373,755	0.98
2006	939,906	578,023	363,883	118,691	244,313	363,004	1.00
2007	1,047,345	621,066	426,279	155,159	264,562	419,721	1.02

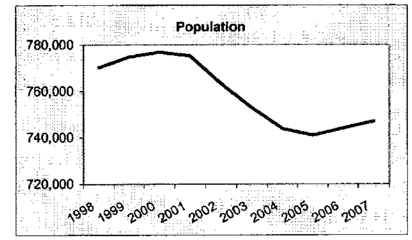
CITY AND COUNTY OF SAN FRANCISCO

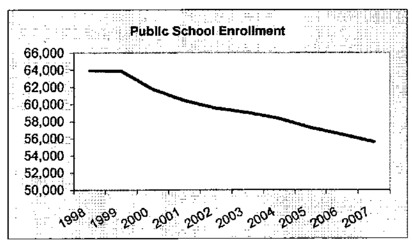
DEMOGRAPHIC AND ECONOMIC STATISTICS

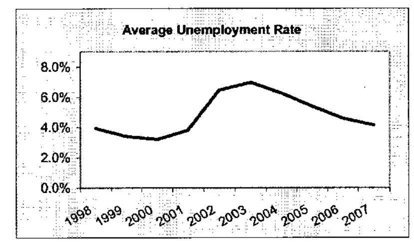
Last Ten Fiscal Years

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)
1998	770,262	34,177,173	44,371	37.9	63,925	3.9%
1999	774,716	37,342,310	48,201	38.7	63,895	3.4%
2000	776,885	43,283,782	55,715	39.1	61,766	3.2%
2001	775,257	43,480,208	56,085	37.3	60,421	3.8%
2002	763,400	41,493,071	54,353	38.3	59,521	6.5%
2003	752,853	40,885,951	54,308	38.3	59,015	7.0%
2004	743,852	43,325,147	58,244	39.2	58,323	6.3%
2005	741,025	46,398,387	62,614	39.4	57,276	5.4%
2006	744,041	49,391,926 (8)	66,383 (9)	39.4	56,459	4.6%
2007	747,069 (7)	52,024,198 (8)	69,638 (9)	39.4 (10)	55,590	4.1%









Sources:
(1) US Census Bureau.
(2) US Bureau of Economic Analysis.
(3) US Bureau of Economic Analysis.
(4) US Census Bureau.
(5) San Francisco Unified School District.
(6) California Employment Development Department.

Note:
(7) 2007 population was estimated by multiplying the 2006 population by the 2005-06 population growth rate.
(8) Personal income was estimated by assuming that its percentage of state personal income in 2006 and 2007 remained at the 2005 level of 3.44 percent.
(9) Per capital personal income for 2006 and 2007 was estimated by dividing the estimated personal income for 2006 and 2007 by the reported and estimated population in 2006 and 2007, respectively.
(10) Median age in 2007 was estimated by averaging the median age in 2005 and 2006.

CITY AND COUNTY OF SAN FRANCISCO

PRINCIPAL EMPLOYERS

Current Year and Five Years Ago

	Year 2006 (1)			Year 2001		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City and County of San Francisco	29,500	1	5.66%	29,610	1	5.85%
University of California, San Francisco	17,500	2	3.36	13,835	2	2.95
Wells Fargo & Co.	8,139	3	1.56	6,366	5	1.36
State of California	6,226	4	1.20	11,296	3	2.41
California Pacific Medical Center	6,115	5	1.17	-	-	-
San Francisco Unified School District	5,557	6	1.07	5,579	6	1.19
United States Postal Service	4,935	7	0.95	4,500	10	0.96
PG&E Corporation	4,800	8	0.92	5,000	8	1.07
Gap, Inc	4,075	9	0.78	-	-	-
Kaiser Permanente	3,918	10	0.75	-	-	-
AT&T	-	-	-	5,200	7	1.11
SBC Communications	-	-	-	4,600	9	0.98
Charles Schwab & Co. Inc.	-	-	-	9,873	4	2.10
Total	90,765		17.42%	95,859		19.98%

Source: City and County of San Francisco employee count is obtained from the City's Controller's Office, based on fiscal year ending June 30, 2007 and June 30, 2001. All other data is obtained from San Francisco Business Times Book of Lists.

Note:
(1) The latest data as of calendar year 2006 is presented.

CITY AND COUNTY OF SAN FRANCISCO

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (1)

	Fiscal Year							
Function	2000	2001	2002	2003	2004	2005	2006	2007
Public Protection								
Fire Department	1,856	1,864	1,909	1,899	1,835	1,752	1,706	1,665
Police	2,742	2,785	2,748	2,688	2,669	2,616	2,664	2,765
Sheriff	896	892	921	920	937	929	944	939
Other	1,013	1,013	998	982	954	930	958	978
Total Public Protection	6,507	6,554	6,576	6,489	6,395	6,227	6,272	6,347
Public Works, Transportation and Commerce								
Municipal Transportation Agency	4,406	4,525	4,629	4,569	4,518	4,386	4,232	4,374
Airport Commission	1,517	1,578	1,537	1,306	1,214	1,203	1,248	1,220
Department of Public Works	1,004	1,065	1,081	1,077	1,053	1,059	1,035	1,040
Public Utilities Commission	1,376	1,404	1,411	1,513	1,589	1,513	1,573	1,596
Other	516	537	569	546	507	505	532	538
Total Public Works, Transportation and Commerce	8,819	9,109	9,227	9,011	8,881	8,666	8,620	8,768
Community Health								
Public Health	6,133	6,068	6,192	6,309	6,093	5,928	5,956	5,988
Total Community Health	6,133	6,068	6,192	6,309	6,093	5,928	5,956	5,988
Human Welfare and Neighborhood Development								
Human Services	1,706	1,807	1,724	1,744	1,735	1,697	1,663	1,745
Other	245	269	305	316	317	312	306	313
Total Human Welfare and Neighborhood Development	1,951	2,076	2,029	2,060	2,052	2,009	1,969	2,058
Culture and Recreation								
Recreation and Park Commission	1,010	998	1,014	976	1,001	954	916	922
Public Library	594	599	612	613	617	616	606	631
War Memorial	94	94	94	95	95	96	95	96
Other	124	120	130	149	156	149	200	199
Total Culture and Recreation	1,822	1,811	1,850	1,833	1,869	1,815	1,817	1,848
General Administration and Finance								
Administrative Services	417	426	420	401	405	383	378	438
City Attorney	316	334	329	321	319	308	321	324
Telecommunications and Information Services	314	352	333	324	313	276	261	270
Controller	161	165	156	155	141	170	179	184
Human Resources	209	211	215	213	188	172	151	156
Treasurer/Tax Collector	183	182	184	185	192	197	199	208
Mayor	145	77	75	72	56	51	48	51
Other	455	467	470	466	466	454	491	520
Total General Administration and Finance	2,200	2,214	2,182	2,137	2,080	2,011	2,028	2,151
General City Responsibility	-	2	3	4	4	4	3	-
Subtotal annually funded positions	27,432	27,834	28,059	27,843	27,374	26,660	26,665	27,160
Capital project funded positions	848	1,776	1,857	1,875	1,567	1,597	1,588	1,628
Total annually funded positions	28,280	29,610	29,916	29,718	28,941	28,257	28,253	28,788

Source: Controller, City and County of San Francisco

Note:
(1) Data represent budgeted and funded full-time equivalent positions.

CITY AND COUNTY OF SAN FRANCISCO

OPERATING INDICATORS BY FUNCTION

Function	Fiscal Year 2001	2002	2003	2004	2005	2006	2007
Public Protection							
Fire and Emergency Communications							
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile	N/A	N/A	N/A	8:09	7:59	8:01	8:07
Police							
Median time from dispatch to arrival on scene for highest priority calls	2:34	2:36	2:45	2:58	3:07	3:09	3:15
Number of homicides per 100,000 population	N/A	N/A	N/A	10.8	9.8	12.8	9.6
Percentage of San Franciscans who report feeling safe or very safe crossing the street	34%	42%	45%	45%	50%	N/A	48%
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	38%	44%	N/A	52%	49%	N/A	49%
Number of blocks of City streets repaved	252	324	292	154	186	267	243
Municipal Transportation Agency							
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good)	2.70	2.92	3.21	3.20	3.09	N/A	2.84
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	55.4%	71.9%	70.9%	68.3%	70.7%	69.2%	70.8%
Percentage of scheduled service hours delivered	94.4%	97.8%	96.5%	97.2%	95.3%	92.7%	94.3%
Airport							
Percent change in air passenger volume	-3.6%	-20.1%	-5.9%	5.3%	5.5%	1.5%	2.8%
Human Welfare and Neighborhood Development							
Environment							
Percentage of total solid waste materials diverted in a calendar year	42%	46%	52%	63%	67%	67%	69%
Culture and Recreation							
Recreation and Park							
Percentage of San Franciscans who rate the quality of the City's park grounds (landscaping) as good or very good	65%	64%	67%	67%	62%	N/A	57%
Citywide percentage of park maintenance standards met for all parks inspected	N/A	N/A	N/A	N/A	N/A	83%	86%
Public Library							
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good	76%	77%	79%	81%	76%	N/A	75%
Circulation of materials at San Francisco libraries	5,409,585	6,259,092	6,793,335	6,755,843	7,279,926	7,459,821	7,685,892
Asian and Fine Arts Museums							
Number of visitors to City-owned art museums (1)	962,090	453,117	727,437	763,242	696,271	1,546,617	991,457

Source: Controller, City and County of San Francisco

Notes:
(1) Construction was completed for the new de Young Museum by the end of fiscal year 2004-2005, and the museum opened in October 2005.
N/A = Information is not available

CITY AND COUNTY OF SAN FRANCISCO

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police protection (1)										
Number of stations	10	10	10	11	11	11	10	10	10	10
Number of police officers	2,167	2,180	2,229	2,321	2,449	2,388	2,170	2,180	2,070	2,304
Fire protection (2)										
Number of stations	41	43	45	45	45	45	45	45	48	42
Number of firefighters	1,559	1,586	1,654	1,804	1,800	1,795	1,690	1,675	1,333	1,012
Public works										
Mile of street (3)	945	945	989	989	1,044	1,252	1,050	1,050	1,051	1,051
Number of streetlights (4)	40,265	40,957	41,052	41,066	42,363	41,042	41,031	41,431	41,571	42,029
Water (4)										
Number of services	164,211	164,495	171,978	174,427	174,873	175,278	165,122	175,000	176,351	176,758
Average daily consumption (million gallons)	237.9	248.7	253.2	255.3	249.4	247.0	273.9	247.0	239.4	250.8
Mile of water mains	1,483	1,483	1,440	1,520	1,520	1,503	1,455	1,475	1,485	1,485
Sewers (4)										
Mile of collecting sewers	750	887.5	900	900	900	903	903	903	903	903
Mile of transport/storage sewers	150	16.5	16.5	16.5	15	15	15	15	15	15
Recreation and cultures										
Number of parks (5)	227	227	227	228	230	230	209	210	220	209
Number of libraries (6)	27	27	27	27	27	27	27	27	27	28
Number of library volumes (million) (6)	2.4	2.1	2.1	2.2	2.2	2.3	2.1	2.4	2.6	2.7
Public school education (7)										
Attendance centers	117	117	116	116	113	118	118	119	117	112
Number of classrooms	2,698	2,698	2,698	3,200	3,428	3,418	3,439	3,434	3,390	3,256
Number of teachers, full-time equivalent	3,242	2,094	2,671	3,260	3,272	3,362	3,138	3,171	3,103	3,103
Number of students	66,679	65,540	63,895	62,569	60,421	59,521	57,805	57,144	56,236	55,497

Sources:
(1) Police Commission, City and County of San Francisco
(2) Fire Commission, City and County of San Francisco
(3) Department of Public Works, City and County of San Francisco
(4) Public Utilities Commission, City and County of San Francisco
(5) Parks and Recreation Commission, City and County of San Francisco
(6) Library Commission, City and County of San Francisco
(7) San Francisco Unified School District

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE

The following is a summary of certain provisions of the Indenture and the Lease and is not to be considered a full statement of the provisions thereof. This summary is qualified in its entirety by reference to and is subject to the complete Indenture and Lease, copies of which are available from the Corporation c/o Office of Public Finance.

For purposes of this Appendix D, "Series 2008A Bonds" refers to the Corporation's Lease Revenue Bonds, Series 2008A, and "Bonds" refers to all outstanding lease revenue bonds of the Corporation issued under the Indenture.

CERTAIN DEFINED TERMS

Additional Rental. The term "Additional Rental" means all amounts payable by the City as Additional Rental pursuant to the Lease.

Authorized Officer. The term "Authorized Officer," when used with respect to the Corporation, means the President or Chief Financial Officer of the Corporation or any other officer of the Corporation who is designated in writing by the Corporation as an Authorized Officer for purposes of the Indenture, and when used with respect to the City, means the Mayor or any other official or employee of the City who is designated in writing by the Mayor as an Authorized Officer for purposes of the Indenture.

Base Rental. The term "Base Rental" means all amounts payable by the City as Base Rental pursuant to the Lease.

Certificate of Completion. The term "Certificate of Completion" means a Certificate of the City, in the form of Exhibit C to the Lease, certifying that all Equipment with respect to a Project anticipated to be acquired has been acquired, installed and accepted by the City and that all Project Costs attributable to such Equipment have been paid.

Computer System. The term "Computer System" means a component of Equipment that consists of both computer hardware and software components.

Credit Facility. The term "Credit Facility" means (i) a surety bond or other financial undertaking issued by a financial institution, if the unsecured obligations of or the claims paying ability of such financial institution has one of the two highest ratings then issued by a nationally recognized bond rating agency, or (ii) a policy of insurance issued by an insurance company, if the obligations insured by such insurance company have one of the two highest ratings then issued by a nationally recognized bond rating agency, or (iii) an irrevocable letter of credit from a bank the long-term obligations of which are rated in one of the two highest rating categories by a nationally recognized rating agency delivered to the Trustee to satisfy the obligation to deposit moneys in the Reserve Fund in connection with any series of Bonds and which is in an amount equal to Reserve Requirement for such series of Bonds.

Equipment. The term "Equipment" means the personal property listed in Exhibit A to the Lease, as supplemented from time to time pursuant to the Lease to be leased by the Corporation to the City pursuant to the Lease.

Government Certificates. The term "Government Certificates" means evidences of indebtedness of ownership of proportionate interests in future principal and interest payments of Government Obligations, including depository receipts thereof, wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) the owner of the Government Certificate is a real party in interest with the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (iii) the underlying Government Obligations are held in trust in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian or any person claiming through the custodian, or any person to whom the custodian may be obligated.

Government Obligations. The term "Government Obligations" means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or evidence of ownership in a portion thereof (which may consist of specified portions of interest thereon and obligations of the Resolution Trust Corporation which constitute interest strips) if held by a custodian on behalf of the Trustee or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

Integrated Software. The term "Integrated Software" means one or more programs for directing the operation of a computer or processing electronic data, which program or programs are integrally related to, and necessary to the functioning of, an item of Equipment and transferable only as a part of such item of Equipment without license or consent.

Lease Supplement. The term "Lease Supplement" means a supplement to the Lease, and includes an equipment schedule, a Base Rental payment schedule and a certificate of approval.

Net Proceeds. The term "Net Proceeds" means the amount remaining from the gross proceeds of any insurance claim or condemnation award made in connection with the Equipment, after deducting all expenses (including attorneys' fees) incurred in the collection of such claim or award.

Owner. The term "Owner" means any person who shall be the registered owner of any outstanding Bond as shown on the registration books required to be kept by the Trustee.

Payment Date. The term "Payment Date" means each April 1 and October 1.

Permitted Investments. The term "Permitted Investments means any of the following:

(1) United States Treasury notes, bonds, bills, or certificates of indebtedness, or obligations for which the full faith and credit of the United States of American are pledged for the payment of principal and interest;

(2) Obligations issued by federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board or obligations, participations or other instruments of or issued by, or fully guaranteed as to interest and principal by, the Federal National Mortgage Association, or guaranteed portions of Small Business Administration notes, or obligations, participations or other instruments of or issued by a federal agency of a United States of America government-sponsored enterprise, so long as such obligations are fully guaranteed as to interest and principal by the United States of America;

(3) Demand or time deposits or negotiable certificates of deposit issued by (a) the Trustee or any paying agent, or (b) any bank, organized under the laws of the any state of the United States of America or any national banking association; or savings and loan association provided that such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit

Insurance Corporation, (ii) issued by any bank, trust company or savings and loan association organized under the laws of any state of the United States, or any national banking association, having a combined capital and surplus of at least $50,000,000, so long as the deposits to which such deposits or certificates of deposit relate (A) do not exceed at any one time in the aggregate 10% of the total of the capital and surplus or shareholders' equity, as the case may be, of such bank or trust company or savings and loan association or national banking association, and (B) are continuously and fully secured by such securities as are described in clauses (1) or (2) above, which securities shall have a market value (exclusive of accrued interest) at all times at least equal to 110% of the principal amount of such deposits or certificates of deposit (marked to market at least weekly) and whose short-term obligations are rated in the highest rating category by each rating agency maintaining a rating on the Bonds;

(4) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States (including the Trustee) or any national banking association or government bond dealer reporting to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is entered into with an institution whose debt is rated in one of the two highest rating categories by each rating agency that maintains a rating on the Bonds;

(5) Commercial paper, or corporate bonds or notes rated in the highest rating category by each rating agency that maintains a rating on the Bonds;

(6) Other unsubordinated securities or obligations issued or guaranteed (including a guarantee in the form of a bank standby letter of credit) by any domestic corporation (including a bank or trust or insurance company) rated in one of the two highest rating categories (without regard to rating subcategories) by each rating agency that maintains a rating on the Bonds;

(7) Interest-bearing certificates of deposit in a national or state bank or a trust company (which may be the Trustee) which has a combined capital and surplus aggregating not less than $100,000,000 and which has outstanding, at the time of investment, short-term obligations rated in the highest rating category (without regard to rating subcategories) by each rating agency that maintains a rating on the Bonds;

(8) Bankers' acceptances, Eurodollar deposits of banks or trust companies, including the Trustee, organized under the laws of the United States or Canada or any state or province thereof, or domestic branches of foreign banks, having a capital and surplus of $50,000,000 or more and which has outstanding, at the time of investment, short-term obligations rated in the highest rating category (without regard to rating subcategories) by each rating agency that maintains a rating on the Bonds;

(9) Bonds or other securities issued by any state, territory, commonwealth, or the District of Columbia or any political subdivision thereof which have been defeased and re-rated in the highest rating category by each rating agency that maintains a rating on the Bonds;

(10) Bonds or other securities issued by any state, territory, commonwealth, or the District of Columbia or any political subdivision thereof which are rated in one of the two highest rating categories by each rating agency that maintains a rating on the Bonds; and

(11) Money market funds rated AAm or better by Standard & Poor's Corporation.

Provided that with respect to amounts in the Acquisition Fund and the Costs of Issuance Fund and with respect to amounts in all funds and accounts established under the Indenture on and after the date on which no Series 1997A Bonds remain outstanding, the definition of "Permitted Investments" means any of the following, if and to the extent permitted by law and by any policy guidelines promulgated by the Corporation:

(a) Government Obligations or Government Certificates.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) Farmers Home Administration (FmHA) - Certificates of beneficial ownership; (ii) Federal Housing Administration Debentures (FHA); (iii) General Services Administration - Participation certificates; (iv) Government National Mortgage Association (GNMA or "Ginnie Mae") - GNMA guaranteed mortgage backed bonds, GNMA guaranteed pass through obligations (participation certificates); (v) U.S. Maritime Administration - Guaranteed Title XI financing; (vi) U.S. Department of Housing and Urban Development (HUD) - Project notes and local authority bonds; and (vii) any other agency or instrumentality of the United States of America.

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) Federal Home Loan Bank System - Senior debt obligations (consolidated debt obligations); (ii) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") - Participation certificates (mortgage-backed securities) and senior debt obligations; (iii) Federal National Mortgage Association (FNMA or "Fannie Mae") - Mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities which are valued greater than par on the portion of the unpaid principal); (iv) Student Loan Marketing Association (SLMA or Sallie Mae") - Senior debt obligations; (v) Resolution Funding Corp. (REFCORP) - Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form; (vi) Federal Farm Credit System - Consolidated systemwide bonds and notes; and (vii) any other agency or instrumentality of the United States of America.

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by 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 shall be either (i) continuously and fully insured by the FDIC, or (ii) have a maturity of not greater than 365 days and have the highest short-term letter and numerical ratings of Moody's and S&P.

(f) Savings accounts or money market deposits that are fully insured by the FDIC.

(g) Investment agreements, including guaranteed investment contracts, provided either (i) the long-term unsecured debt or claims ability of the issuer or guarantor thereof is rated in the highest rating category by Moody's and S&P, or (ii) such agreement is fully collateralized by Government Obligations or Government Certificates.

(h) Commercial paper of "prime" quality rated in the highest rating category by Moody's and S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States.

(i) Bonds or notes issued by any state or municipality that are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies.

(j) Federal funds or banker's acceptances which are eligible for purchases by members of the Federal Reserve System, drawn on any bank the short-term obligations of which are rated in the highest rating category by Moody's and S&P, provided that the maturity cannot exceed 270 days.

(k) Repurchase agreements with maturities of either (a) 30 days or less, or (b) less than one year provided that the collateral is marked-to-market daily, entered into with financial institutions such as banks or trust companies organized under state or federal law, insurance companies, or government bond dealers reporting to, or trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of SPIC, or with a dealer or parent holding company that is rated A or better by Moody's and S&P. The repurchase agreement must be in respect of Government Obligations or Government Certificates or obligations described in paragraph (b) herein, which, exclusive of accrued interest, shall be maintained at least 100% of par. In addition, repurchase agreements shall meet the following criteria: (i) the third party (who shall not be the provider of the collateral) has possession of the repurchase securities and the Government Obligations or Government Certificates; (ii) failure to maintain the requisite collateral levels shall require liquidation and (iii) the third party having possession of the securities has a perfected, first priority security interest in the securities.

(l) Any other debt or fixed income security specified by the City (except securities of the City and any agency, department, commission or instrumentality thereof) and rated in the highest rating category by Moody's and S&P, including "pre-funded" municipal obligations.

Project. The term "Project" means the acquisition and installation of all items of Equipment to be financed with the proceeds of a particular series of Bonds.

Project Costs. The term "Project Costs" means all costs of payment of, or reimbursement for, the acquisition, installation, if applicable, and financing of the Equipment and any item functionally related to the Equipment, and any license necessary or convenient in connection with the use of the Equipment, including but not limited to, architect, engineering and installation management costs, administrative costs and capital expenditures relating to installation and financing payments, sales tax on the Equipment, costs of accounting, feasibility, environmental and other reports, insurance costs, inspection costs, permit fees, prepaid maintenance, licensor or software fees, including prepaid technical support costs, filing and recording costs, printing costs, reproduction and binding costs, fees and charges of the Trustee, escrow fees, legal fees and charges, costs of rating agencies or credit ratings, Credit Facility fees and financial and other professional consultant fees.

Rental Payments. The term "Rental Payments" means collectively the Base Rental payments and the Additional Rental payments.

Reserve Requirement. The term "Reserve Requirement" means the amount described under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund" in the forepart of this Official Statement.

Tax Certificate. The term "Tax Certificate" means a certificate relating to Section 148(f) of the Code, executed by the City on the date of delivery of a series of Bonds, as originally delivered and as it may be amended or supplemented from time to time.

Working Capital Requirement. The term "Working Capital Requirement" means such amount, if any, as may be specified in a Supplemental Indenture with respect to a Series of Bonds. There is no such requirement for the Series 2008A Bonds.

Written Request of the Corporation. The term "Written Request of the Corporation" means an instrument in writing signed by an Authorized Officer of the Corporation.

THE INDENTURE

Pledge of Base Rental Payments; Assignment of Lease

Subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth therein, all of the Base Rental payments received by the Trustee, all of the proceeds of the Bonds and any other amounts held in any fund or account (except the Rebate Fund) established under the Indenture and all of the right, title and interest of the Corporation in the Lease and in the Equipment are pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge constitutes a lien on and security interest in such assets.

Under the Indenture, the Corporation sells, transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the bondholders, all of the Base Rental payments and other moneys pledged as described in the preceding paragraph, all rents, profits and products from the Equipment to which the Corporation has any right or claim whatsoever, and all right, title and interest in and to the Lease including, without limitation, the right to take all actions and give all consents under the Lease and all rights of the Corporation as lessor under the Lease necessary to enforce payment of such Base Rental payments when due or, otherwise to protect the interests of the owners of the Bonds; provided that the Corporation retains certain rights to indemnification and the payment of its costs and expenses under the Lease. The Trustee is entitled to collect and receive all of the Base Rental payments, and any Base Rental payments collected or received by the Corporation, are deemed pursuant to the Indenture to be held, and to have been collected or received, by the Corporation as the agent of the Trustee and are required by the Indenture forthwith to be paid by the Corporation to the Trustee. The Trustee is also required to take all steps, actions and proceedings reasonably necessary in its judgment to preserve and protect the priority of its security interest in the Lease and the Equipment.

No Liability of Corporation, City and Trustee to the Owners

Except as expressly provided in the Indenture, the Corporation has no obligation or liability to the Owners with respect to the payment when due of the Rental Payments by the City, or with respect to the performance by the City or the Trustee, as the case may be, of the other agreements and covenants contained in the Lease or in the Indenture that are required to be performed by the City or the Trustee, respectively.

Except for the payment when due of the Rental Payments and the performance of the other agreements and covenants contained in the Lease and the Indenture, the City has no obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Base Rental payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required by the Indenture to be performed by the Trustee.

Except as expressly provided in the Indenture, the Trustee has no obligation or liability to the Owners with respect to the payment when due of the Base Rental payments by the City, or with respect to the performance by the City of the other agreements and covenants contained in the Lease or in the Indenture that are required to be performed by the City.

Creation and Application of Funds and Accounts

The Indenture establishes the following funds and accounts for the Bonds and, particularly, the Series 2008A Bonds:

Acquisition Fund
Series 2008A Project Account
Costs of Issuance Fund
Series 2008A Costs of Issuance Account
Rebate Fund
Series 2008A Rebate Account
Base Rental Payment Fund
Series 2008A Account
Reserve Fund
Series 2008A Reserve Account
Surplus Fund
Working Capital Fund
Redemption Fund

Acquisition Fund. All moneys in the Acquisition Fund are required by the Indenture to be applied by the Trustee to the payment of any Project Costs (or for making reimbursements to the Corporation, the City or any other person for such costs). For each Series of Bonds, the Trustee will establish a Project Account within the Acquisition Fund. Amounts in each such Project Account may be distributed by the Trustee only to pay costs related to the Project financed by such Series of Bonds or to redeem such Series of Bonds. Upon receipt by the Trustee of a Certificate of Completion for the Project financed by a Series of Bonds, all amounts remaining in the Project Account for such Series of Bonds, are required to be transferred by the Trustee to the Rebate Fund or to the Redemption Fund to be applied to the redemption of that Series of Bonds.

Costs of Issuance Fund. For each Series of Bonds, the Trustee is required to establish a Costs of Issuance Account within the Costs of Issuance Fund. Moneys in each such Costs of Issuance Account may be disbursed as is necessary to pay Costs of Issuance for the related Series of Bonds. Upon the written request of the City, the Trustee shall transfer any amount then remaining in the related Costs of Issuance Account to the Project Account established for such Series of Bonds.

Rebate Fund. There shall be deposited in the Rebate Fund from funds of the City or the Corporation such amounts as are required to be deposited therein pursuant to the Tax Certificate. All moneys at any time deposited in the Rebate Fund or any subaccount therein will be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the United States of America. Amounts required to be deposited into or on deposit in the Rebate Fund are not pledged to the payment of the Bonds under the Indenture.

Base Rental Payment Fund.

Notwithstanding any other provision of the Indenture, with respect to the Series 2008A Bonds there is established, and with respect to any subsequent Series of Bonds there may be established, a Series Account (including subaccounts therein) within the Base Rental Payment Fund in lieu of the series subaccounts within the Interest Fund and the Principal Fund prescribed by the Indenture. In such event, references to series subaccounts within the Interest Fund or the Principal Fund shall be references to such Series Account or the subaccounts established in the Base Rental Payment Fund, as the case may be.

Interest Fund. The Indenture requires the Trustee to deposit from Base Rental payments made by the City in each Interest Account created therein for each Series of Bonds, on each Payment Date, that amount, if any, needed to bring the amounts in such Accounts to the aggregate amount of interest coming due on each Series of Bonds on such Payment Date. Moneys in the Interest Fund are required to be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds when due and payable.

Principal Fund. The Indenture requires the Trustee to deposit from Base Rental payments made by the City in each Principal Account created therein for each Series of Bonds, on each Payment Date, that amount, if any, needed to bring the amounts of such Accounts to the aggregate amount of principal coming due on each Series of Bonds on such Payment Date. Moneys in the Principal Fund are required to be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds when due and payable.

Reserve Fund. Upon the issuance of any Series of Bonds, the Trustee is required to cause to be deposited in the separate Reserve Account established within the Reserve Fund for such Series of Bonds an amount equal to the initial Reserve Requirement for such Series of Bonds. Such amount may be derived from the proceeds of such Series of Bonds, other funds of the City or the Corporation or a Credit Facility. After making any required deposits to the Interest Fund and the Principal Fund, the Trustee is required to deposit from Base Rental Payments made by the City in each Reserve Account, on each April 1 and October 1, the amount (if any) needed to bring the amount on deposit in each Reserve Account to the then applicable Reserve Requirement for such Reserve Account. In the event amounts in the Base Rental Payment Fund are insufficient to make the deposits described in the preceding sentence, the Trustee will make such deposits from Base Rental Payments made by the City on a pro rata basis to each Reserve Account on the basis of the applicable Reserve Requirement. Amounts on deposit in each Reserve Account may be withdrawn by the Trustee solely for deposit in the corresponding Interest Account and Principal Account in the event that the amounts therein are insufficient for the purposes of paying interest and principal on the corresponding Series of Bonds. Any amounts on deposit in a Reserve Account in excess of the Reserve Requirement for such Reserve Account are to be withdrawn by the Trustee and transferred to the Base Rental Payment Fund for deposit in the corresponding Interest Account and Principal Account.

Surplus Fund. After making the required deposits to the funds discussed in the preceding paragraphs, the Trustee is required to transfer, on or before the business day immediately succeeding each Payment Date, any remaining amounts in the Base Rental Payment Fund to the Surplus Fund. On the first business day after making each deposit in the Surplus Fund, the Trustee is to determine whether any moneys then in the Surplus Fund will be required for the payment of principal and interest on the Bonds and will hold any moneys required for such purposes. Moneys in the Surplus Fund not required for such purposes may be used (i) for the redemption of Bonds; (ii) for the purchase of Bonds at such prices (including brokerage and other charges, but excluding accrued interest which is payable from the Interest Fund) as the Corporation may deem advisable, but not to exceed the par value thereof, or in the case of Bonds which by their terms are subject to call and redemption, the highest redemption price (excluding accrued interest) or the then current redemption price (excluding accrued interest), whichever is lowest; or (iii) for transfer to the Working Capital Fund or the City. Moneys in the Surplus Fund are to be used and withdrawn by the Trustee solely for the foregoing purposes, subject, however, to any requirement for deposit to the Rebate Fund.

Working Capital Fund. All amounts received from the City as Additional Rental under the Lease and such other amounts as designated for deposit therein by a Supplemental Indenture will be deposited by the Trustee in the Working Capital Fund. Upon the Written Request of the Corporation, the Trustee will disburse amounts in the Working Capital Fund for the payment of taxes and assessments and any administrative cost of the Corporation or charges required to be paid by the Corporation in order to maintain its existence or to comply with the terms of the Bonds or of the Indenture. Subject to any requirement for deposit to the Rebate Fund, moneys in the Working Capital Fund are to be used and withdrawn by the Trustee for the foregoing purposes; provided, however, that amounts in the Working Capital Fund may also be withdrawn or applied to the payment of principal of or interest on the Bonds, on any Payment Date on which the Trustee receives a Written Request of the City and the Corporation to the effect that as of the date of such request, the amounts to be transferred or withdrawn are no longer necessary to be retained in the Working Capital Fund for the purposes for which it was established.

Redemption Fund. On the date specified in the Written Request of the Corporation filed with the Trustee at the time any prepaid Base Rental payment is paid by the City to the Trustee pursuant to the Lease, the Trustee is required to deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental payments designated as prepaid Base Rental payments. Moneys in the Redemption Fund are to be used and withdrawn by the Trustee solely for the purpose of paying the principal of, and the interest on and premium, if any, on the Bonds to be redeemed.

Certain Covenants

Under the Indenture, the Corporation covenants faithfully to comply with, keep, observe, and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract or prescribed by any law of the United States of America or the State of California or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including its right to exist and carry on its respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

The Corporation also agrees to keep the Equipment and all parts thereof free from judgments and material men's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which, in the judgment of the Trustee, might hamper the City in conducting its business or utilizing the Equipment, and the Trustee at its option (after first giving the Corporation ten days' written notice to comply therewith and failure of the Corporation to comply within such ten-day period) may defend against any and all actions or proceedings in which the validity of the Indenture is or might be questioned, or may pay or compromise any claim or demand asserted in any such action or proceedings; provided however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee will not be deemed to have waived or released the Corporation from liability for or on account of any of its agreements and covenants contained in the Indenture or from its liability under the Indenture to defend the validity thereof and to perform such agreements and covenants.

The Corporation agrees so long as any Bonds are outstanding not to create any pledge of or lien on a Base Rental payment other than the pledge and lien of the Indenture. The Corporation further agrees promptly upon request of the Trustee to take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Equipment or any part thereof and to prosecute all actions, suits or other proceedings as may be appropriate for such purpose.

The Indenture requires the Trustee to keep proper records in which complete and correct entries are to be made of all transactions relating to the receipt, deposit and disbursement of the Rental Payments, and such records will be available for inspection by the Corporation, the City or any Owner or agent thereof duly authorized in writing at reasonable hours and under reasonable conditions. Not later than the last day of each month, and continuing so long as any Bonds are outstanding, the Trustee will furnish to the Corporation, the City and any Owner who may so request a complete statement covering the receipts, deposits and disbursements of the Rental Payments for the preceding calendar month.

Acquisition of Software

The Indenture provides that the Trustee may not disburse funds from the Acquisition Fund for the acquisition of Integrated Software with respect to a Project financed by a Series of Bonds unless the Trustee receives a written certificate from an authorized officer of the vendor of such Integrated Software substantially in the form attached to the Indenture.

The Indenture also provides that the Trustee may not disburse funds from the Acquisition Fund for the acquisition of software (that does not constitute Integrated Software) with respect to a Project financed with a Series of Bonds, unless the Trustee receives a written certificate from an Authorized Officer of the City to the effect that: (i) the cost of the software is not greater than 75% of the total cost of the associated Computer System; (ii) the cost of all software that is part of a Project financed with such Series of Bonds is not greater than 20% of the total cost of such Project; and (iii) the useful life of the software is at least as long as the term of the Lease Supplement with respect to the associated Computer System.

With respect to any future Series of Bonds, the provisions of the Indenture concerning the acquisition of software and of Integrated Software and the rights and obligations of the Corporation and the Owners and the Trustee thereunder may be amended or supplemented by an amendment thereof or supplement thereto, which shall become binding upon execution without the written consents of the Owners, but only to the extent permitted by law.

Events of Default and Remedies

An Event of Default (as defined under "THE LEASE—Defaults and Remedies" herein) with respect to any Series of Bonds will not be deemed an Event of Default with respect to any other Series of Bonds, and the rights, remedies and obligations of the Owners and the Trustee under the Indenture resulting from any Event of Default will only pertain to the Series of Bonds with respect to which such Event of Default occurred.

Each Event of Default under the Lease is an "event of default" under the Indenture. See "THE LEASE–Defaults and Remedies" herein. During the continuance of an Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of Bonds at the time outstanding are entitled upon notice in writing to the City and the Corporation to exercise the remedies provided to the Corporation in the Lease and to take whatever action at law or in equity may appear necessary to protect and enforce any of the rights vested in the Trustee or in the Owners by the Indenture or by the Bonds. However, under the Indenture the Trustee does not have the remedy to terminate the Lease with respect to any computer software component of the Equipment that does not constitute Integrated Software or the remedy to retake possession of any such software.

Application of Amounts After Default. All payments received by the Trustee with respect to the rental of the Equipment after an Event of Default and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Lease or under the Indenture are required to be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied to the payment of:

(i) all amounts due the Trustee as compensation or reimbursement for advances and expenditures;

(ii) to the Owners entitled thereto their proportionate interest in the interest on the Bonds in the order of the maturity of such interest and, if the amount available is not sufficient to pay such amount, then to the payment ratably, according to the amount due to the persons entitled thereto, without any discrimination or privilege;

(iii) to the Owners entitled thereto, the proportionate interest in the unpaid principal of the Bonds which shall have become due and, if the amount available shall not be sufficient to pay the principal in full, then to the payment ratably, according to the amount of principal due, to the persons entitled thereto without any discrimination or privilege; and

(iv) as the same shall become due to the Owners entitled thereto the principal of and interest on the Bonds which may thereafter become due either as scheduled or upon redemption pursuant to the Indenture or to the Lease and, if the amount available is not sufficient to pay in full the principal due on any particular date, payment is to be made ratably according to the amount of principal due on such date to the Owners entitled thereto without any discrimination or privilege.

Limitation on Suits. No Owner has any right to institute any proceedings with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy under the Indenture unless such Owner has previously given written notice to the Trustee of a continuing Event of Default; the Owners of not less than 25 percent in principal amount of the outstanding Bonds shall have made written requests to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee; such Owner or Owners have afforded to the Trustee indemnity reasonably satisfactory to it; the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners of a majority in principal amount of the outstanding Bonds.

No Waiver. A waiver of any default or breach of duty or contract by the Trustee will not affect any subsequent default or breach of duty or contract or impair any rights or remedies upon any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach will impair any such right or remedy or be construed to be a waiver of any such default or breach or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Indenture may be enforced and exercised from time to time and as often as may be deemed expedient by the Trustee.

Amendments to Indenture

The Indenture may be amended or supplemented at any time without the consent of any Owners for one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Corporation to be observed or performed or to surrender any right or power reserved in the Indenture or conferred on the Corporation, which in either case will not materially adversely affect the interests of the Owners; or

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the Corporation may deem desirable or necessary or not inconsistent with the Indenture and which will not materially adversely affect the interests of the Owners;

(iii) to amend the provisions concerning the acquisition of computer software components, including Integrated Software, with respect to any future Series of Bonds; or

(iv) to provide for the issuance of a Series of Bonds.

The Indenture may be amended or supplemented at any time upon the written consent of the Owners of a majority in aggregate principal amount of the Bonds then outstanding; provided, however, that no such amendment or supplement may (i) extend the maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of such interest or reduce the amount of principal thereof without the prior written consent of the Owner of the Bond so affected, or (ii) reduce the percentage of Owners whose consent is required for the execution of any amendment of or supplement to the Indenture, or (iii) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (iv) amend the provisions of the Indenture relating to amendments or supplements to the Indenture, without the prior written consent of the Owners of all Bonds then outstanding.

Defeasance

If the Owners of all outstanding Bonds of any Series of Bonds are paid the interest thereon and principal thereof at the times and in the manner stipulated in the Indenture and in the Bonds, then such Owners will cease to be entitled to the benefit of the Indenture and all agreements of the Corporation and the Trustee to such Owners under the Indenture will thereupon cease, terminate and become void and will be discharged and satisfied. Any outstanding Bonds will be deemed to have been paid if there is on deposit with the Trustee moneys or securities described in clauses (1) and (2) of the definition of the term "Permitted Investments" in an amount sufficient (together with the increment, earnings and interest thereon) to pay the principal of and premium, if any, and interest on such Bonds payable at maturity or on prior redemption.

The Trustee

The Corporation, provided that no Event of Default has occurred and is then continuing, or the Owners of a majority in aggregate principal amount of Bonds at the time outstanding, may remove the original Trustee and any successor thereto and may appoint a successor Trustee, but any such successor Trustee must be bank or trust company doing business and having a principal corporate trust office in California, having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 and subject to supervision or examination by federal or state authorities. The Trustee may at any time resign by giving written notice to the Corporation, the City and the Owners. Upon receiving notice of resignation of the Trustee, the Corporation is required promptly to appoint a successor Trustee. Any resignation of any Trustee and appointment of a successor Trustee will become effective only upon acceptance of the appointment by the successor Trustee.

THE LEASE

Term of Lease

Under the Lease, the Corporation leases to the City and the City hires from the Corporation the Equipment to have and to hold for the term of the Lease. The Corporation covenants to provide the City during the term of the Lease with quiet use and possession of the Equipment, and the Corporation subject to the provisions of the Lease has the right at all reasonable times to enter into and upon the property of the City for the purposes of the Lease or for any other lawful purpose.

The term of the Lease commenced on the date of initial execution and delivery thereof and ends on the last date on which a Rental Payment is payable thereunder, unless sooner terminated in accordance with the Lease. The Lease terminates as to all of the Equipment comprising any Project upon the earlier of the following: (i) the payment by the City of all Rental Payments and any other amounts required to be paid by the City with respect to such Project under the Lease; or (ii) the discharge of the City's obligation with respect to such Project under the Lease. In addition, if no Event of Default has occurred and is continuing, the term of the Lease will terminate as to any item of Equipment as of the earlier of the following: (i) the September 30 that next succeeds the date on which the number of years shown as the useful life of such item of Equipment in the Lease has elapsed since the date the City took possession thereof under the Lease, or (ii) the discharge of the City's obligation with respect to such item of Equipment under the Lease. The Lease terminates as to all of the Equipment upon the occurrence of an Event of Default under the Lease and the Corporation's election to terminate the Lease.

Maintenance of Equipment

Under the Lease the City agrees that at all times during the term of the Lease, it will at its own cost and expense, maintain, preserve and keep the Equipment in good repair, working order and condition and will from time to time make or cause to be made all necessary and proper repairs.

Insurance

Under the Lease, the City is required to carry and maintain the following types of insurance with respect to the Equipment during the term of the Lease:

(i) insurance against rental interruption or loss of use and possession of the Equipment in an amount not less than the total Base Rental payments payable by the City with respect to the Equipment for a period of at least twelve months;

(ii) insurance against fire, lightning and extended coverage, theft, vandalism and malicious mischief and flood insurance on the Equipment in an amount equal to the lesser of the full replacement value of the Equipment or the aggregate principal amount of the Bonds outstanding (subject to certain deductibles);

(iii) workers' compensation insurance covering the City's employees working, in, near or about the Equipment, in the same amount and type as other workers' compensation maintained by the City for similar employees doing similar work;

(iv) standard comprehensive general liability insurance or the equivalent covering direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the possession, operation or use of the Equipment, with minimum liability limits of $1,000,000 for personal injury or death of each person and $2,000,000 for personal injury or death of two or more persons in each event, and in a minimum amount of $200,000 (subject to a deductible not to exceed $5,000) for property damage; and

(v) standard automobile liability insurance covering direct or contingent loss or liability for damages for injury, death or property damage occasioned by reason of the possession, operation or use of the Equipment, with minimum liability limits and maximum deductibles as described in (iv) above.

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

Governmental Charges and Utility Charges

The Corporation and the City expect that the Equipment will be used for governmental purposes of the City and therefore that the Equipment will be exempt from all taxes presently assessed and levied with respect to real and personal property. In the event that the use, possession or acquisition by the City or the Corporation of the Equipment is determined to be subject to taxation in any form, except for income or franchise taxes of the Corporation, the City agrees to pay during the term of the Lease all taxes and governmental charges of any kind that may at any time be lawfully assessed or levied with respect to the Equipment and substitutions, modifications, improvements or additions thereto, as well as utility charges incurred in the operation, maintenance, use and upkeep of the Equipment.

Damage, Destruction and Condemnation

During the term of the Lease, if the Equipment or any portion thereof is damaged, destroyed, stolen or otherwise unlawfully removed from the possession of the City, the City and the Corporation agree to cause the Net Proceeds of any insurance claim to be applied to the prompt repair, restoration or replacement of the damaged, destroyed or stolen equipment. Any balance of the Net Proceeds after such work has been completed will be paid to the City. Alternatively, the City with the written consent of the Corporation, may elect to cause the Net Proceeds of insurance to be used for the redemption of outstanding Bonds issued to finance the damaged, destroyed or stolen Equipment; provided that the Net Proceeds together with any other moneys then available therefor are at least sufficient to prepay that portion of the Base Rental attributable to the destroyed, damaged or stolen Equipment.

If any Project, or any portion of any Project as to render the remainder unusable for the purposes for which it was used or intended to be used, shall be taken under the power of eminent domain, the Lease will terminate with respect to such Project. The Lease requires the City to take or cause to be taken such action as is reasonably necessary to obtain compensation at least equal to the value of the Equipment or portion thereof taken by eminent domain, and all condemnation proceeds are to be transferred to the Redemption Fund and applied to the redemption of the Series of Bonds issued to finance such Project. If part of any Project shall be taken under the power of eminent domain and the remainder is usable for the purposes for which it was used at the time of such taking, then the Lease will continue in full force and effect with respect to the remainder, and there will be a partial abatement of the Base Rental in an amount equal to the proportion which the value of that portion of the Project taken bears to the fair rental value of the whole of the Project. The fair rental value of any Project after such a taking will be equal to the Base Rental payments due under the Lease reduced by the application of all or any part of any award in eminent domain that is used to redeem outstanding Bonds pursuant to the Indenture.

Defaults and Remedies

Notwithstanding any other provision of the Lease, with respect to any Project financed with a Series of Bonds: (1) the provisions of the Lease with respect to such Project will be deemed to be a separate lease of such Project; (2) any Event of Default under the Lease with respect to a Project will only affect such Project; and (3) any remedy exercised under the Lease with respect to an Event of Default will be limited to the Project with respect to which the Event of Default occurred.

Each of the following is an "Event of Default" under the Lease:

(1) the City shall fail to pay any Rental Payment when the same becomes due and payable;

(2) the City shall fail to keep, observe or perform any other term, covenant or condition contained in the Lease and such failure shall have continued for 30 days or more;

(3) the City's interest in the Lease or any part thereof is assigned or transferred without the written consent of the Corporation:

(4) the occurrence and continuance of certain bankruptcy or insolvency proceedings or the appointment of a receiver for the City, or of all or substantially all of its assets; or

(5) the City shall abandon or vacate any part of the Equipment under the Lease.

Upon the occurrence of an Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease. In addition, the Trustee may terminate the Lease and retake possession of the Equipment, except with respect to any computer software components of the Equipment that does not constitute Integrated Software. No termination of the Lease on account of default by the City will be effective unless and until the Trustee gives written notice to the City of the Trustee's election to terminate the Lease. The Trustee may also collect each installment of Rental Payments as it becomes due and enforce any other term or provision of the Lease or exercise any and all rights to retake possession of the Equipment without terminating the Lease, although the Trustee may not retake possession of any computer software components of the Equipment that does not constitute Integrated Software. If the Trustee does not terminate the Lease, the City will remain liable and agrees in the Lease to keep or perform all covenants and conditions contained in the Lease to be kept or performed by the City and, if the Equipment is not relet, to pay the full amount of the rent to the end of the term of the Lease or, in the event the Equipment is re-let, to pay any deficiency in rental payments that results therefrom; and further agrees to pay the Rental Payments or deficiency notwithstanding the fact that the Trustee may have received in previous years or may receive thereafter Rental Payments in excess of the Rental Payments specified in the Lease and notwithstanding any retaking of possession of the Equipment by the Trustee.

Additional Projects

The Lease permits the supplementation or amendment thereof to allow financing of additional Projects by the execution and delivery of a Lease Supplement. Each Lease Supplement must be approved by the City and the Corporation and no Lease Supplement will be effective unless the total amount of Bonds outstanding after the issuance of the Series of Bonds secured by the Base Rental payments to be made pursuant to such Lease Supplement does not exceed the maximum amount of indebtedness permitted to be outstanding at such time pursuant to the Charter of the City.

Triple Net Lease

The Lease is a triple net lease and the City agrees under the Lease that each Rental Payment is to be an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the CITY AND COUNTY OF SAN FRANCISCO (the "City") in connection with the issuance by the City and County of San Francisco Finance Corporation (the "Issuer") of $11,885,000 City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2008A (the "2008A Bonds"). The 2008A Bonds are being issued pursuant to an Indenture, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented as of April 1, 2008, between the Issuer and U.S. Bank National Association, as trustee (the "Trustee") (as amended and supplemented, the "Indenture").

The City hereby covenants as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the 2008A Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2008A Bonds (including persons holding 2008A Bonds through nominees, depositories or other intermediaries).

"Central Post Office" means the DisclosureUSA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Certificate. As of the date of this Disclosure Certificate, communications with DisclosureUSA may be directed to P.O. Box 684667, Austin, Texas 78768-4667; Fax: (512) 476-6403.

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City, which has filed with the City and the Issuer a written acceptance of such designation.

"Holder" or "Bondholder" shall mean the registered owner of any 2008A Bond.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth at http://www.sec.gov/info/municipal/nrmsir.htm.

"Participating Underwriter" shall mean any of the original purchasers of the 2008A Bonds required to comply with the Rule in connection with offering of the 2008A Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission as listed at http://www.sec.gov/info/municipal/nrmsir.htm.

SECTION 3. Provision of Annual Report.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (presently June 30), commencing with the report for the 2007-08 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of its Annual Report and later than the date required above for the filing of such Annual Report if they are not available by that date. If the City's fiscal year changes, such party shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) above for providing the Annual Report to Repositories, the City (if the Dissemination Agent is other than the City) shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the City's Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the first sentence of this subsection.

(c) If the Dissemination Agent is unable to verify that the Annual Report of the City is available to provide to Repositories by the date required in subsections (a) and (b) of this Section, the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(e) Notwithstanding any other provision of the Disclosure Certificate, the City reserves the right to make any of the aforementioned filings through a Central Post Office.

SECTION 4. Content of Annual Report. The City's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement for the 2008A Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. The amount of Bonds Outstanding under the Indenture, and the balance of the Reserve Fund.

3. The status of the acquisition of the Equipment, to be provided until completion of the Project financed with the 2008A Bonds.

4. Summaries of the following:

    a. budgeted general fund revenues and appropriations;

    b. assessed valuation of taxable property in the City; and

    c. ad valorem property tax levy and delinquency rate.

5. A schedule of the aggregate annual debt service on tax-supported indebtedness of the City and a summary of authorized, but unissued, tax-supported indebtedness of the City.

6. A schedule of lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and certificates of participation.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2008A Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. modifications to rights of Bondholders;

4. optional, contingent or unscheduled Bond calls;

5. defeasances;

6. rating changes;

7. adverse tax opinions or events adversely affecting the tax-exempt status of the 2008A Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;

9. unscheduled draws on credit enhancements reflecting financial difficulties;

10. substitution of credit or liquidity providers, or their failure to perform;

11. release, substitution or sale of property securing repayment of the 2008A Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly file, or cause to have filed, a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository, if any, or with the Central Post Office. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 2008A Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2008A Bonds. If such termination occurs prior to the final maturity of the 2008A Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The City may, from time to time, with notice to the Issuer, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, 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 2008A Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2008A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the 2008A Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 2008A Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation hereunder to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Trustee, pursuant to the Indenture, may (and, at the request of any Participating Underwriter or the Holders of at least 25% of the aggregate principal amount of Outstanding 2008A Bonds, shall), or any Holder or Beneficial Owner of the 2008A Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may only be instituted in a Federal or State Court located in the City. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture or the Lease, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Issuer, the Dissemination Agent, if any, the Participating Underwriters and Holders and Beneficial Owners from time to time of the 2008A Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date as of: April 1, 2008

CITY AND COUNTY OF SAN FRANCISCO

By____________________________________
Title:

EXHIBIT A TO

CONTINUING DISCLOSURE CERTIFICATE

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	City and County of San Francisco
Name of Bond Issue:	City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2008A
Date of Issuance:	April __, 2008

NOTICE IS HEREBY GIVEN that the City and County of San Francisco has not provided an Annual Report with respect to the above-named Bonds as required by Section 2.02 of Equipment Lease Supplement No. 15, dated as of April 1, 2008, supplementing the Equipment Lease, dated as of January 1, 1991, as amended and restated as of October 15, 1998, between the City and the City and County of San Francisco Finance Corporation. [The City anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

_______________________________________,
on behalf of the City and County of San Francisco

cc: City and County of San Francisco
Finance Corporation

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The Corporation and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or any premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Corporation and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

The following description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representation is made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit the notices to Beneficial Owners.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the paying agent or bond trustee,

disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

10. The issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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APPENDIX G

PROPOSED FORM OF CO-BOND COUNSEL OPINIONS

[Date of Delivery of Bonds]

City and County of San Francisco
Finance Corporation
San Francisco, California

City and County of San Francisco Finance Corporation
Lease Revenue Bonds, Series 2008A

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance of \$11,885,000 aggregate principal amount of City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2008A (the "Bonds"), dated the date hereof. In such connection, we have reviewed: an Equipment Lease, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by Equipment Lease Supplement No. 15, dated as of April 1, 2008 (collectively, the "Equipment Lease"), between the City and County of San Francisco (the "City") and the City and County of San Francisco Finance Corporation (the "Corporation"); an Indenture, dated as of January 1, 1991, by and between the Corporation and U.S. Bank National Association, successor by merger to U.S. Bank Trust National Association, as trustee (the "Trustee"), as amended and restated as of October 15, 1998, and as supplemented by the Sixteenth Supplemental Indenture, dated as of April 1, 2008, by and between the Corporation and the Trustee (collectively, the "Indenture"); an Agency Agreement, dated as of January 1, 1991, between the City and the Corporation; a Tax Certificate of the Corporation with Exhibits, dated the date hereof (collectively the "Tax Certificate"); opinions of the City Attorney, counsel to the Corporation and counsel to the Trustee; certificates of the City, the Trustee, the Corporation and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture and the Equipment Lease.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or such events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds is concluded with their issuance on this date and we disclaim any obligation to update this opinion. We have assumed and relied on, without undertaking to verify, the genuineness of the documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the City and the Corporation. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with the covenants, of the City and the Corporation in the Equipment Lease, the Indenture, the Tax Certificate and other relevant documents to which each is a party. The accuracy of certain of those representations and certifications, and compliance by the City and the Corporation with certain of their covenants, may be necessary for interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants subsequent to issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. The rights and obligations under the Bonds, the Equipment Lease, the Indenture, and their enforceability, may be subject to 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 of California (the "State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence, nor do we express any opinion with respect to the state or quality of title to, or interest in, any of the personal property described in or subject to the Equipment Lease or the accuracy or sufficiency of the description of any such property contained therein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Corporation.

2. The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the Corporation.

3. The Equipment Lease has been duly authorized, executed and delivered by the City and the Corporation and constitutes the valid and binding obligation of the City and of the Corporation, respectively. The obligation of the City to make the Rental Payments during the term of the Equipment Lease constitutes a valid and binding obligation of the City, payable from funds of the City lawfully available therefor, and does not constitute a debt of the City or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed

on individuals and corporations, and is exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Bonds.

Under the Code, a portion of the interest on the Bonds earned by certain corporations may be subject to a corporate alternative minimum tax, and interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and a tax imposed on excess net passive income of certain S corporations.

Respectfully submitted,

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