

CITY AND COUNTY OF SAN FRANCISCO

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORTS**

FOR THE YEAR ENDED JUNE 30, 2021



Certified
Public
Accountants

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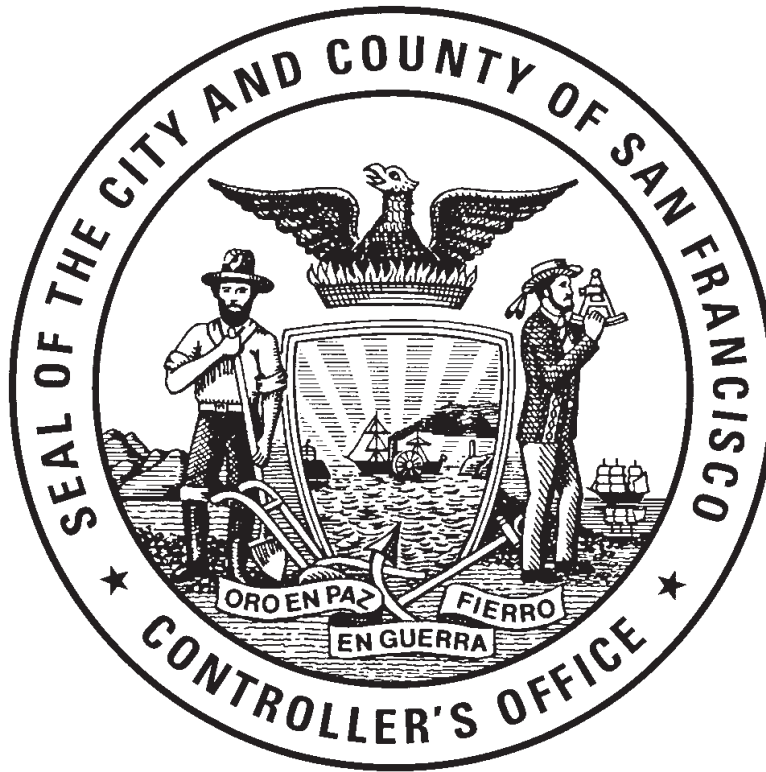
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FINANCIAL SECTION

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco, California (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/ Additions
Governmental activities	1.1%	3.8%	1.4%
Business-type activities	93.1%	98.8%	71.6%
Aggregate discretely presented component unit and remaining fund information	0.4%	0.2%	0.4%

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 4 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities for state and local governmental entities. The City restated beginning net position for the retroactive application of this new accounting standard. Our opinion is not modified with respect to this matter.

Other Matters***Prior-Year Comparative Information***

The financial statements include partial and summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2020, from which such partial and summarized information was derived.

We have previously audited the City's 2020 financial statements, and we expressed, based on our audit and the reports of other auditors, unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information in our report dated February 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



San Francisco, California

February 2, 2022, except for our report on the schedule of expenditures of federal awards,
as to which the date is June 3, 2022

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2021

This section of the City and County of San Francisco's (the City) Single Audit report presents a narrative overview and analysis of the financial activities of the City for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2019-20 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2020-21 basic financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by approximately \$10.65 billion (net position). Of this balance, \$10.56 billion represents the City's net investment in capital assets, \$3.90 billion represents restricted net position, and unrestricted net position has a deficit of \$3.81 billion. The City's total net position increased by \$556.6 million, or 5.5 percent, from the previous fiscal year. Of this amount, total net investment in capital assets and restricted net position increased by \$86.6 million or 0.8 percent and \$851.6 million or 27.9 percent, respectively, and unrestricted net position decreased by \$381.6 million or 11.1 percent.

The City's governmental funds reported total revenues of \$8.45 billion, which is a \$1.27 billion or 17.7 percent increase from the prior year. Within this, revenues from property taxes, business taxes, real property transfer tax, fines, forfeitures, and penalties and intergovernmental sources grew by approximately \$309.8 million, \$1.06 billion, \$10.1 million, \$30.4 million and \$432.6 million, respectively. Governmental funds expenditures totaled \$7.27 billion for this period, a \$239.8 million or 3.4 percent increase, reflecting increases in demand for governmental services of \$352.2 million and increases in debt service of \$66.1 million, offset by a decrease in capital outlay of \$178.5 million.

The City's total short-term debt increased by \$408.1 million in this fiscal year. The decrease of \$89.4 million in the governmental activities was due to the retirement of Commercial Paper (CP) through the issuance of 2020 Certificates of Participation Animal Care and Control Project and Series 2021A Multiple Capital Improvement Projects. The short-term debt in the business-type activities increased by \$497.5 million mainly due to the Airport, Hetch Hetchy Water and Power and the Wastewater Enterprise issuing a total of \$987.8 million additional short-term debt to upgrade their facilities. The San Francisco General Hospital paid off \$3.8 million of CP. The Airport and the Water Enterprise refinanced \$230.0 million and \$256.5 million of CP, respectively, through the issuance of long-term debt.

The City's governmental activities long-term debt increased by \$469.4 million. A total of \$736.2 million in general obligation bonds which included \$35.6 million of bond premium were issued to provide funds to improve: facilities that deliver services to persons experiencing mental health challenges, substance abuse disorder and/or homelessness; accessibility, safety and quality of the City's parks, open spaces and recreational facilities; low-and middle-income housing programs; certain fire, earthquake and emergency response; Muni service reliability, ease traffic congestion, reduce vehicle travel time, enhance pedestrian and bicycle safety and improve disabled access. The City issued \$123.1 million certificates of participation with bond premium of \$24.3 million to refinance the short-term debt issued for the Animal Care and Control Project and for acquisition of real properties for the Hall of Justice Relocation project. The City also issued \$91.2 million in refunding general obligation bonds and \$70.6 million refunding certificates of participation with bond premium of \$21.6 million and \$11.9 million, respectively, for debt service savings. The increase in debt was offset by \$609.5 million due to refunded bonds and scheduled debt service payments of \$567.3 million and amortization of bond premium of \$42.2 million.

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

The business-type activities long-term debt increased by \$421.5 million. The Airport issued \$980.5 million in revenue refunding bonds to refund certain outstanding revenue bonds and repay outstanding CP notes. The Water Enterprise issued \$420.3 million in revenue bonds to repay \$229.8 million of CP and to finance capital projects of the Water and the Hetch Hetchy Water Enterprises. The Water Enterprise also issued \$664.4 million in revenue refunding bonds for debt service savings and obtained a loan of \$49.5 million from the State of California to fund its SF Westside Recycled Water Project. The Municipal Transportation Agency issued \$124.6 million revenue bonds to finance the cost of various capital projects of MTA, issued revenue refunding bonds of \$174.9 million for debt service savings and obtained additional bank loan of \$369 for a garage renovation project. The Wastewater Enterprise drew down additional loans of \$22.5 million from the State of California to fund various sewer system improvement projects. The increase in debt was partially offset by the \$1.83 billion in refunded bonds and scheduled debt service payments and \$182.2 million of bond premium and discount amortization.

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* as of July 1, 2020. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The City restated the July 1, 2020 net position of governmental activities to include activities previously reported as agency funds. The net effect of this change was a \$35.6 million increase in the City's beginning net position. The financial statements as of and for the year ended June 30, 2020 have not been restated for the effects of GASB Statement No. 84.

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

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 basic financial statements are related as shown in the graphic below.

Organization of City and County of San Francisco Basic Financial Statements

Introductory Section	INTRODUCTORY SECTION			
	+			
Financial Section	Management's Discussion and Analysis (MD&A)			
	Government - wide Financial Statements	Fund Financial Statements		
	Statement of net position	Governmental Funds	Proprietary Funds	Fiduciary Funds
		Balance sheet	Statement of net position	Statement of fiduciary net position
			Statement of revenues, expenses, and changes in fund net position	
	Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of cash flows	Statement of changes in fiduciary net position
	Notes to the Financial Statements			
	Required Supplementary Information Other Than MD&A			
	Information on individual nonmajor funds and other supplementary information that is not required			

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

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

	Government - wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of balance information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Balances of spendable resources	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	All resources held in a trustee or custodial capacity for others
Type of inflow and outflow information	All inflows and outflows during year, regardless of when cash is received or paid	Near-term inflows and outflows of spendable resources	All inflows and outflows during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

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

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

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

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

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

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

Fund Financial Statements

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

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

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

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's net pension liability, pension contributions, net OPEB liability, and OPEB contributions.

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

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

Combining Statements and Schedules

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

Condensed Statement of Net Position (in thousands)

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets.....	\$ 8,994,750	\$8,377,481	\$ 6,327,864	\$ 6,477,516	\$ 15,322,614	\$ 14,854,997
Capital assets.....	6,831,506	6,702,757	23,408,990	22,089,466	30,240,496	28,792,223
Total assets.....	15,826,256	15,080,238	29,736,854	28,566,982	45,563,110	43,647,220
Deferred outflows of resources:	1,252,731	1,161,466	1,191,964	1,103,005	2,444,695	2,264,471
Liabilities:						
Current liabilities.....	2,609,243	3,214,799	2,918,746	2,395,258	5,527,989	5,610,057
Noncurrent liabilities.....	10,205,405	9,149,846	20,791,711	19,797,681	30,997,116	28,947,527
Total liabilities.....	12,814,648	12,364,645	23,710,457	22,192,939	36,525,105	34,557,584
Deferred inflows of resources:	505,142	743,437	322,335	512,075	827,477	1,255,512
Net position:						
Net investment in capital assets *.....	3,927,209	3,853,271	7,003,396	7,013,098	10,561,206	10,474,620
Restricted *.....	2,965,770	2,118,598	1,055,138	956,701	3,899,691	3,048,043
Unrestricted (deficit) *.....	(3,133,782)	(2,838,247)	(1,162,508)	(1,004,826)	(3,805,674)	(3,424,068)
Total net position.....	\$ 3,759,197	\$3,133,622	\$ 6,896,026	\$ 6,964,973	\$ 10,655,223	\$ 10,098,595

* See Note 10(d) to the basic financial statements.

Analysis of Net Position

The City's total net position, which may serve as a useful indicator of the government's financial position, was \$10.65 billion at the end of fiscal year 2020-21, a 5.5 percent increase over the prior year. The City's governmental activities account for \$3.76 billion of this total and \$6.89 billion stem from its business-type activities.

The largest portion of the City's net position is the \$10.56 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a \$86.6 million or 0.8 percent increase over the prior year which is due to the reclassification of \$369.4 million from governmental activities to business-type activities related to the City's general obligation bonds and certificates of participation that fund various enterprise fund department's projects. With that, an increase of \$73.9 million in the governmental activities and a decrease in the business-type activities, highlighted by decreases of \$304.9 million at Airport and \$8.1 million at SFGH offset by increases of \$464.5 million at Water Enterprise and \$231.6 million at SFMTA, respectively. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position is the \$3.90 billion that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is a deficit of \$3.81 billion, which consists of a \$3.13 billion deficit in governmental activities and \$1.16 billion deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to recording liabilities related to net pension and net other postemployment benefits (see Note 9). The governmental activities deficit also included \$490.6 million in long-term bonds liabilities that fund the LHH

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

rebuild project, certain park facilities and Embarcadero seawall earthquake safety projects at the Port, improvement projects for reliable emergency water supply for the Water Enterprise, and road paving and street safety in SFMTA (see Note 10(d)). The business-type activities deficit also includes structural operating losses from SFGH and LHH subsidized by the General Fund.

Condensed Statement of Activities (in thousands)

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services.....	\$ 731,562	\$ 854,868	\$ 3,187,872	\$ 3,884,412	\$ 3,919,434	\$ 4,739,280
Operating grants and contributions.....	1,925,539	1,518,051	710,059	455,673	2,635,598	1,973,724
Capital grants and contributions.....	130,937	146,400	231,890	361,266	362,827	507,666
General revenues:						
Property taxes.....	2,972,067	2,733,334	-	-	2,972,067	2,733,334
Business taxes.....	1,894,604	833,931	-	-	1,894,604	833,931
Sales and use tax.....	233,393	279,453	-	-	233,393	279,453
Hotel room tax.....	37,698	280,970	-	-	37,698	280,970
Utility users tax.....	81,367	94,231	-	-	81,367	94,231
Other local taxes.....	453,852	474,859	-	-	453,852	474,859
Interest and investment income.....	10,688	142,181	(3,066)	151,319	7,622	293,500
Other.....	67,838	63,552	440,508	245,466	508,346	309,018
Total revenues.....	<u>8,539,545</u>	<u>7,421,830</u>	<u>4,567,263</u>	<u>5,098,136</u>	<u>13,106,808</u>	<u>12,519,966</u>
Expenses						
Public protection.....	1,744,103	1,661,262	-	-	1,744,103	1,661,262
Public works, transportation and commerce.....	530,087	362,133	-	-	530,087	362,133
Human welfare and neighborhood development.....	2,384,993	2,137,968	-	-	2,384,993	2,137,968
Community health.....	1,241,282	1,148,208	-	-	1,241,282	1,148,208
Culture and recreation.....	467,251	519,015	-	-	467,251	519,015
General administration and finance.....	475,428	416,370	-	-	475,428	416,370
General City responsibilities.....	100,077	119,693	-	-	100,077	119,693
Unallocated Interest on long-term debt.....	144,334	145,600	-	-	144,334	145,600
Airport.....	-	-	1,294,064	1,344,734	1,294,064	1,344,734
Transportation.....	-	-	1,327,418	1,438,417	1,327,418	1,438,417
Port.....	-	-	142,126	131,884	142,126	131,884
Water.....	-	-	627,875	576,140	627,875	576,140
Power.....	-	-	411,605	392,669	411,605	392,669
Hospitals.....	-	-	1,376,112	1,332,648	1,376,112	1,332,648
Sewer.....	-	-	318,976	296,842	318,976	296,842
Total expenses.....	<u>7,087,555</u>	<u>6,510,249</u>	<u>5,498,176</u>	<u>5,513,334</u>	<u>12,585,731</u>	<u>12,023,583</u>
Increase/(decrease) in net position before transfers.....	1,451,990	911,581	(930,913)	(415,198)	521,077	496,383
Transfers.....	(861,966)	(679,450)	861,966	679,450	-	-
Change in net position.....	<u>590,024</u>	<u>232,131</u>	<u>(68,947)</u>	<u>264,252</u>	<u>521,077</u>	<u>496,383</u>
Net position at beginning of year, as previously reported.....	<u>3,133,622</u>	<u>2,901,491</u>	<u>6,964,973</u>	<u>6,700,721</u>	<u>10,098,595</u>	<u>9,602,212</u>
Cumulative effect of accounting change.....	35,551	-	-	-	35,551	-
Net position at beginning of year, as restated.....	<u>3,169,173</u>	<u>2,901,491</u>	<u>6,964,973</u>	<u>6,700,721</u>	<u>10,134,146</u>	<u>9,602,212</u>
Net position at end of year.....	<u>\$ 3,759,197</u>	<u>\$ 3,133,622</u>	<u>\$ 6,896,026</u>	<u>\$ 6,964,973</u>	<u>\$ 10,655,223</u>	<u>\$ 10,098,595</u>

Analysis of Changes in Net Position

The City's change in net position was \$521.1 million in fiscal year 2020-21, a 5.0 percent increase from the prior fiscal year after the cumulative effect of \$35.6 million for the adoption of GASB Statement No. 84 effective July 1, 2020, as noted above. The increase in net position was due to a \$590.0 million increase from governmental activities and offset by a decrease of \$68.9 million from business-type activities.

The City's governmental activities experienced a \$1.12 billion or 15.1 percent growth in total revenues, as well as an increase in total expenses of \$577.3 million or 8.9 percent this fiscal year. Business-type activities revenues decreased by \$530.9 million or 10.4 percent, and total expenses also decreased by \$15.2 million,

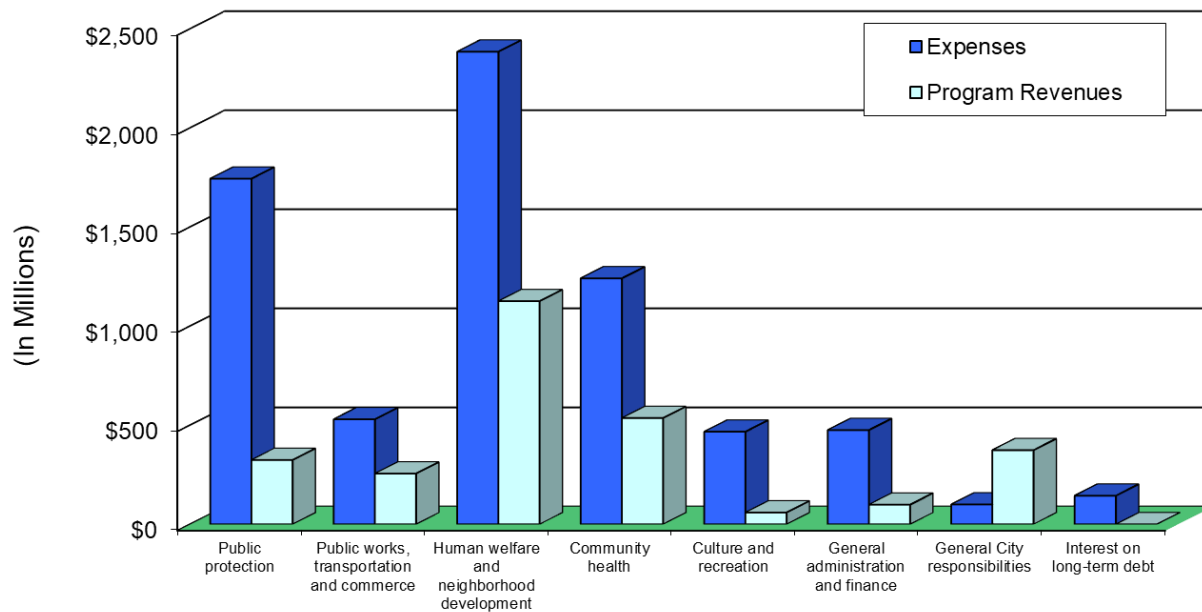
CITY AND COUNTY OF SAN FRANCISCO

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

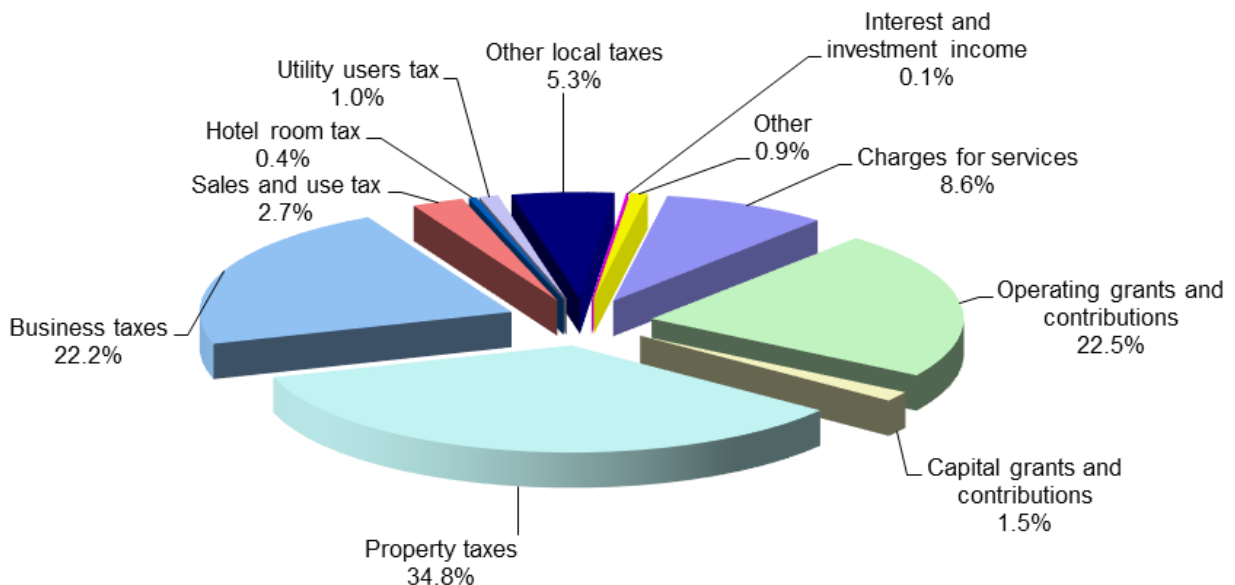
Year Ended June 30, 2021

or 0.3 percent. The net transfer to business-type activities increased by \$182.5 million. The major components of increased revenue Citywide are increased operating grants and contributions of \$661.9 million, property taxes of \$238.7 million and business taxes of \$1.06 billion, offset by decrease of charges for services of \$819.8 million, capital grants and contribution of \$144.8 million, hotel room tax of \$243.3 million and interest and investment income of \$285.9 million. Discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

Governmental Activities. Governmental activities increased the City's total net position by \$590.0 million, excluding the impact of a \$35.6 million restatement. Key factors contributing to the changes are discussed below.

Overall, total revenues from governmental activities were \$8.54 billion, a \$1.12 billion or 15.1 percent increase over the prior year. For the same period, expense totaled \$7.09 billion before transfers of \$862.0 million.

Business tax revenues soared by \$1.06 billion or 1.3 times predominately due to recognition of Proposition C Commercial Rent Tax and Proposition C Homelessness Gross Receipts Tax and Administrative Office Tax when the California Supreme Court's decline to review the cases and let stand lower court rulings which were in favor of the City in fiscal year 2021. The Commercial Rent Tax, passed in June 2018 and operative on January 1, 2019, imposes a new tax on gross receipts from leasing or subleasing of commercial space to fund early childhood education and increasing compensation of childcare professionals and staff. The Homelessness Gross Receipts Tax, which applies to business with gross receipts over \$50 million, and Administrative Office Tax, which applies to certain administrative offices' payroll expenses in San Francisco, were passed in November 2018 and became operative on January 1, 2019. Both measures won with a simple majority but litigants sought to invalidate them, asserting they needed a two-thirds vote for approval due to the specific designation for the tax revenues. After the Supreme Court's actions, collections in fiscal year 2020, the majority of which were deferred, and collections in fiscal year 2021, totaling \$1.15 billion, were recognized in 2021. Business registration tax also had a modest increase of \$40.9 million but was offset by a combined decrease of \$133.5 million in payroll and Prop E gross receipt taxes, which were adversely impacted by the pandemic.

Property tax revenues increased by \$238.7 million or 8.7 percent due in large part to the increased recognition of \$130.8 million secured property tax which corresponded to the year-over-year growth of the secured assessment roll. Remaining increases were from Excess Educational Revenue Augmentation Fund (ERAF), redevelopment property tax increment and property tax in lieu of vehicle license fee.

The COVID pandemic continued to adversely impact other general revenue streams. Among these, hotel room tax plummeted by \$243.3 million or 86.6 percent, due to travel restrictions, reductions both in international and domestic flights, and conference cancellations. Enplanements in fiscal year 2021 saw moderate growth through the latter half of the year, however, total enplanements for the year were 65.7 percent below fiscal year 2020 and 75.8 percent below fiscal year 2019. As a result of meetings taking place virtually, in other locales, or cancelled entirely, hotel room taxes were significantly impacted. Hotel tax revenues are highly correlated with revenue per available room (RevPAR) which is a function of changes in occupancy, average daily room rate (ADR) and room supply. In June 2020, RevPAR was \$28.5, with a 12-month moving average of \$159.32. RevPAR gradually increased and grew to a pandemic high of \$70.5 in June 2021, with a 12-month moving average of \$42.6. ADR increased from \$109.7 in June 2020 to \$161.7 in June 2021, or 47.4 percent. However, because the pandemic affected the entirety of the current year versus a portion of the prior year, annual average ADR saw a decline of 45.7 percent from \$226.7 to \$123.11. Similarly, although the hotel occupancy rate increased from 26.0 percent in June 2020 to a high of 43.6 percent a year later, the annual average occupancy rate for fiscal year 2021 was 34.0 percent, or 44.8 percent lower than the average in fiscal year 2020.

Interest and investment income dropped by \$131.5 million or 92.5 percent primarily due to interest rate declines as the Federal Reserve maintained interest rates in the 0-2 basis point range for the entirety of this fiscal year to support the economy through the COVID crisis. The fair value of the Pool's investment portfolio ended the fiscal year with a significantly smaller unrealized gain compared to prior year and further impacted the total investment earnings.

The restrictions on retail and non-essential business and COVID related slowdowns and closures resulted in continued declines in sales and use tax revenues by \$46.1 million or 16.5 percent. Although collections in the second half of the year were stronger than the same period in the prior year, total revenue was still far below pre-pandemic levels. Likewise, other local taxes, including parking tax, stadium admission tax,

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

and sugar sweetened beverage tax, decreased by \$21 million. Utility users tax also fell by \$12.9 million due to depressed utility consumption by businesses.

Total grants and contributions, however, increased by \$392.0 million or 23.6 percent, of which \$312.4 million was from the American Rescue Plan Act (ARPA) and \$14.3 million from the Coronavirus Aid, Relief, and Economic Security (CARES) Act to support the City's response to and recovery from COVID-19. The remaining net increase of \$65.3 million in federal, state and other operating grants and subventions was mostly for mental health, public protection, welfare services and aid. These increases were partly offset by a \$15.5 million decrease in capital grants and contributions due to reduced capital project activities and spending in this fiscal year.

Total charges for services declined by \$123.3 million or 14.4 percent owing to severely depressed business and economic activities for the entirety of this fiscal year. Despite a minor increase in receipts of development impact fees and settlements, revenues plunged in almost all service categories including rents and concessions, licenses and permits, fines, forfeitures and penalties, and other charges compared to prior fiscal year.

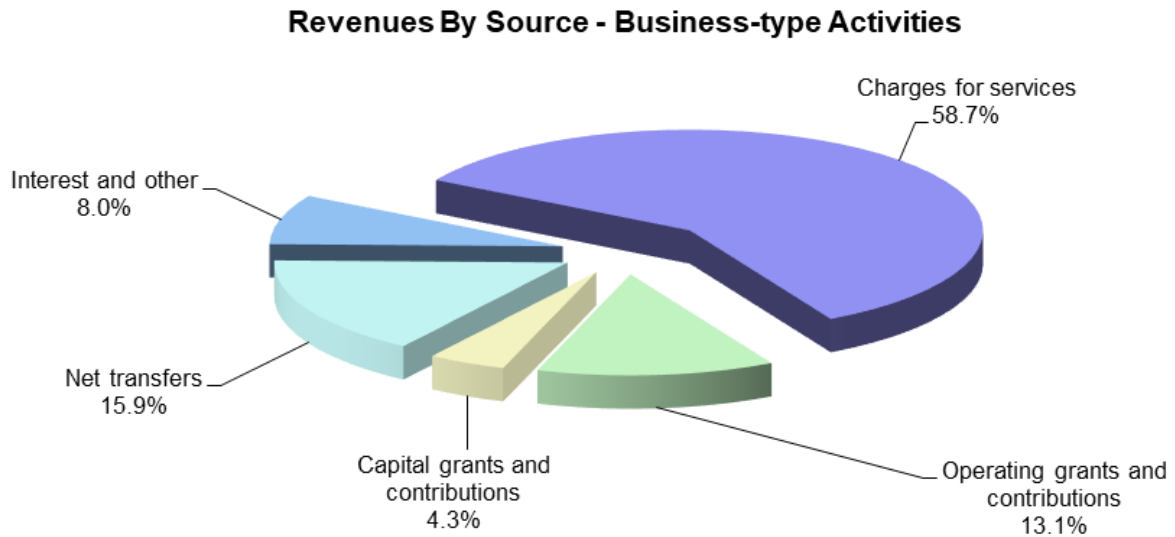
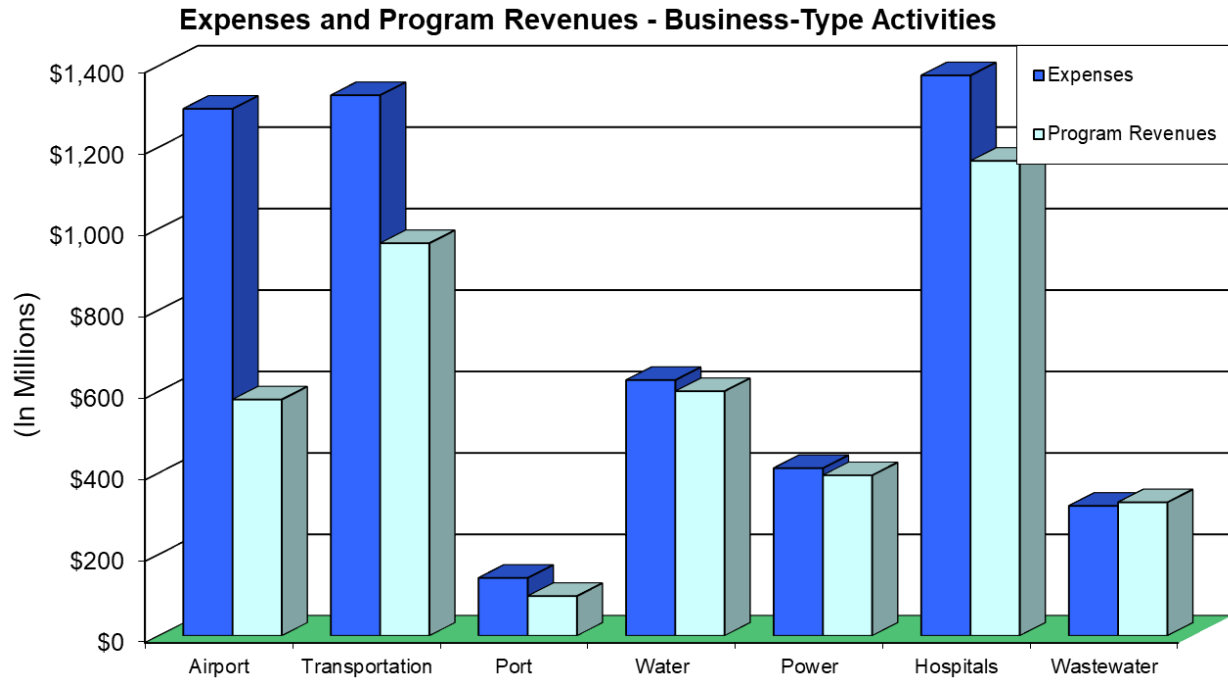
Net transfers from the governmental activities to business-type activities were \$862.0 million, a \$182.5 million or 26.9 percent increase over the prior year. This was primarily due to a \$102.7 million increase in bond proceeds issued by Capital Project Funds and transferred to enterprise funds, composed of \$134.7 million for SFMTA and \$20.0 million for the San Francisco Water Enterprise this fiscal year versus \$52 million for the Port last fiscal year. In addition, transfers from the General Fund to General Hospital also grew by \$90.9 million mostly due to a one-time, unbudgeted transfer related to timing of revenue, and increased support for COVID related expenditures. Transfers from the San Francisco International Airport to the General Fund decreased by \$19.0 million due to lower concession, parking and transportation revenues impacted by the pandemic. These net increases were partly offset by a decrease in General Fund transfer to SFMTA of \$31.3 million driven by lower aggregate discretionary revenue for baseline transfer this fiscal year.

Total governmental expenses rose by \$577.3 million, or 8.9 percent, primarily attributed to a surge of \$460.9 million of spending on COVID response for shelter, feeding, testing, vaccination, supplies and materials including personal protection equipment, community grants, medical and related services. There was also a \$94.5 million increase in other city grants and aid payments as demand increased. OPEB expenses also increased by \$46.9 million because of proportionate share increases, assumption changes and contributions but were offset by a decrease of \$107.1 million pension expenses driven by investment gains, actuarial gains and assumption changes. Increases in other expenses including judgments and claims, medical and health service payments, salaries and fringe and depreciation were mostly offset with less housing program expenses.

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021



CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

Business-type activities decreased the City's net position by \$68.9 million and key factors contributing to this decrease are as follows:

- The San Francisco International Airport had a decrease in net position at fiscal year end of \$402.1 million, compared to a \$216.9 million decrease in the prior year, a \$185.2 million difference. Operating revenues totaled \$515.4 million for fiscal year 2020-21, a decrease of \$428.5 million or 45.4 percent over the prior year and included a decrease of \$276.3 million in aviation primarily due to changes in the unearned aviation revenue adjustment, \$73.5 million in rents and concessions, \$67.9 million in parking and transportation, and \$10.8 million in other revenues, due to the impact of COVID-19 pandemic on airport operations and passenger traffic. For the same period, the Airport's operating expenses decreased by \$16.7 million, or 1.8 percent, for a net operating loss of \$399.0 million for the period. Net nonoperating activities saw a deficit of \$53.1 million versus \$245.3 million deficit in the prior year, a \$192.2 million decrease. The decrease of \$16.7 million in operating expenses is primarily due to increases in personal services of \$6.5 million due to higher other post-employment benefits, depreciation and amortization of \$19.0 million due to the addition of capital assets, offset by decreases of \$26.9 million due to lower professional services expenses, and \$13.4 million due to higher estimated bad debt expense related to the Airport COVID-19 Emergency Rent Relief Program for concession tenants in fiscal year 2020. The decrease of \$192.2 million in nonoperating activities is due to an increase in other nonoperating revenues of \$248.0 million primarily due to the CARES Act grant funding, decrease of interest and investment income of \$89.8 million primarily due to lower interest rates and investment fair values adjustments, and decrease in interest expense of \$29.9 million primarily due to a decrease in fixed rate bond interest. Capital contributions increased by \$15.4 million due to two fuel storage tanks transferred from SFO Fuel to the Airport in November 2020.
- The City's Water Enterprise, the third largest such entity in California, reported an increase in net position of \$8.5 million at the end of fiscal year 2020-21, compared to an increase of \$98.9 million at the end of the previous year, a \$90.4 million difference. Operating revenues totaled \$581.6 million, operating expenses totaled \$448.8 million, nonoperating activities totaled a net expense of \$132.8 million and the net increase from transfers was \$4.4 million. Compared to the prior year, operating revenues decreased \$1.7 million which was due to an 8.8% decrease in consumption by retail customers and the COVID-19 emergency proclamation issued by the City's Mayor suspending collection of past due accounts, offset by an adopted rate increase of 7.0% for retail customers beginning July 1, 2020 coupled with rent increases and increased royalty revenues. The enterprise reported a total increase in operating expenses of \$50.7 million in fiscal year 2020-21 mostly due to increases of \$27.1 million in general administrative and other mainly from judgment and claims based on actuarial estimates and \$12.6 million in personnel services mainly due to pension obligations based on actuarial report and a 3% cost of living adjustment. Net nonoperating activity decreased by \$60.0 million of net expense primarily due to a prior year one-time gain of \$63.6 million from the property transfer of 639 Bryant Street for 2000 Marin Street offset by a \$15.0 million grant from the State of California for the SF Westside Recycle Water project in the current year.
- Hetch Hetchy Water and Power and CleanPowerSF ended fiscal year 2020-21 with a net position increase of \$16.4 million, compared to a \$80.9 million increase the prior year, a difference of \$64.5 million. This change consisted of a decrease in operating income of \$50.0 million, a decrease in net nonoperating activities of \$16.0 million, and an increase in net transfers from the City of \$1.5 million. This enterprise consists of three segments: Hetchy Water upcountry operations and water system, which reported a \$13.6 million increase in change in net position, Hetchy Power (also known as the Power Enterprise), which reported a \$6.9 million increase in change in net position, and CleanPowerSF, which reported a \$4.1 million decrease in net position. Hetchy Water operating revenues increased by \$12.1 million mainly due to an increase in water assessment fees from the Water Enterprise, while operating expenses increased by \$5.6 million mainly due to personnel services resulting from cost of living adjustments, higher retirement expenses, and increased personnel costs. Hetchy Power's operating revenues decreased by \$4.5 million mostly due to a decrease in the sale of power. On the operating expenses side, Hetchy Power reported a decrease of \$2.5 million mainly attributed to \$6.1 million in lower electricity sales, offset by increases of \$1.7 million in general and administrative expenses mainly due to higher litigation expenses and \$1.6 million in higher capital project spending.

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

Year Ended June 30, 2021

CleanPowerSF's operating revenues decreased by \$37.8 million mostly due to a decrease in electricity sales to retail and commercial customers. Operating expenses for CleanPowerSF increased by \$16.7 million mainly due to \$16.2 million in purchased electricity and transmission, distribution and other power costs as a result of higher prices in the CAISO market and increase in resource adequacy capacity purchases related to new compliance requirements from the California Public Utilities Commission.

- The City's Wastewater Enterprise's net position increased by \$9.6 million, compared to a \$63.8 million increase in the prior year, a \$54.2 million change. Operating revenues decreased by \$16.5 million primarily due to a \$13.5 million decrease in charges for services from a sanitary flow decrease from residential and non-residential customers and \$2.1 million increase in allowance for doubtful accounts attributable to suspension of collection efforts in response to the COVID-19 emergency proclamation issued by the City Mayor. Operating expenses increased by \$30.0 million principally due to \$20.9 million in general and administrative and other operating expenses mainly due to higher project expenses related to the SSIP Biosolids Digester Project, and \$9.1 million in depreciation expense due to more capitalized assets put in service. Net nonoperating activities increased by \$6.2 million due principally to \$13.3 million decrease in interest and investment income from lower pooled and fiscal agent cash balances and a lower annualized interest rate, offset by a \$8.2 million decrease in interest expense due to lower interest rate compared to prior year and a decrease in outstanding bond principal balance.
- The Port ended fiscal year 2020-21 with a net position decrease of \$27.4 million, \$68.1 million lesser than the \$40.7 million increase in the previous year. The Port is responsible for seven and one-half miles of waterfront property and its revenue is derived primarily from property rentals to commercial and industrial enterprises and a diverse mix of maritime operations. In fiscal year 2020-21, operating revenues decreased by \$14.5 million principally due to decreases of \$8.5 million in parking revenue as a result of reduced tourism and other activity on the waterfront and \$4.9 million due to cancellation of all cruise calls and significantly fewer special events as a result of the COVID-19 pandemic. Operating expenses increased \$11.1 million over the prior year. This was primarily due to increases of \$8.4 million in personal services for increased pension and other post-employment benefits, \$8.6 million mostly due to changes in remediation expense estimates, and \$3.3 million of increased spending on contractual services, offset by prior years \$9.8 million in contractual services mainly related to the Seawall project. Also, net transfers in decreased \$52.0 million mainly due to prior year's allocation of \$49.5 million in proceeds from City general obligation bonds to support the Seawall Earthquake Safety and disaster Prevention Program.
- The SFMTA had an increase in net position of \$306.0 million for fiscal year 2020-21, compared to an increase of \$214.7 million in the prior year, a \$91.3 million change. SFMTA's total operating revenues were \$207.3 million, while total operating expenses reached \$1.32 billion. Operating revenues decreased by \$183.0 million compared to the prior year and is mainly due to decreases in fare collections by \$135.2 million as well as parking by \$20.9 million. Decrease in passenger fares was mainly due to significant decline in ridership caused by severe impacts of the COVID-19 pandemic. Parking revenues were heavily impacted by the quarantine and shelter in place orders causing a major decrease in collections as a result of decline in parking activities. Operating expenses decreased by \$113.5 million, primarily due to decreases in personal service by \$37.1 million attributable to significant reduction in overtime costs and lower workers compensation and other post-employment benefit obligations, other operating expenses by \$31.0 million with the reduction in paratransit costs and less noncapitalized expenditures, general and administrative costs by \$26.3 million due to decrease in claim liability per actuarial study, and contractual services by \$20.5 million was attributable to decreases in payments for garage operators and tow service contracts, and facilities and equipment maintenance services. Net nonoperating activities increased by \$199.8 million, mainly from a \$245.0 million increase in federal grants including CARES act grants, offset by decrease of \$45.2 million in state and other operating grants, interest and investment income, and an increase in interest expense. Capital contributions decreased by \$150.4 million due to decrease in capital expenditures incurred and billable to the grantors. Transfers in increased by \$111.4 million mainly due to an increase of \$134.7 million in capital project support from the City's general obligation bonds, offset by a decrease of \$31.3 million

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

from the City's General Fund for revenue baseline subsidy, in lieu of parking tax and population-based allocation.

- LHH, the City's skilled nursing care hospital, had an increase in net position of \$13.2 million at the end of fiscal year 2020-21, compared to an increase of \$8.7 million at the end of the previous year, a \$4.5 million difference. The LHH's loss before transfers for the year was \$52.2 million versus a loss of \$69.0 million for the prior year. This change of \$16.8 million was mostly due to a \$23.1 million increase in operating revenues, a \$13.4 million increase in operating expenses, and a \$7.1 million increase in net nonoperating activities. Net transfers decreased by approximately \$12.3 million, due to a \$14.9 million decrease in transfers in and a \$2.6 million increase in transfers out.
- SFGH, the City's acute care hospital, ended fiscal year 2020-21 with a net position increase of \$6.7 million, compared to a decrease of \$26.5 million the prior year, a \$33.2 million change. Operating revenues increased \$264.6 million from prior year, mainly due to a \$289.4 million increase in net patient service revenue. Operating expenses increased approximately \$32.8 million, mainly due to a \$22.8 million increase in personal services, and a \$22.3 million increase in contractual services, offset by a \$7.6 million decrease in services provided by other departments. Net nonoperating activities increased \$12.7 million, mainly due to an increase in federal operating grants. Net transfers increased by approximately \$98.6 million, due to a \$82.1 million increase in transfers in and a \$16.5 million decrease in transfers out.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds statements is to provide information on near-term inflows, outflows, and balances of resources available for future spending. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Fund.

At the end of fiscal year 2020-21, the City governmental funds reported combined fund balances of \$6.28 billion, an increase of \$1.24 billion or 24.6 percent over the prior year. Of the total fund balances, \$1.79 billion is assigned and \$668.3 million is unassigned. The total of \$2.45 billion or 39.1 percent of the total fund balances constitutes the fund balances that are accessible to meet the City's needs. Within these fund balance classifications, the General Fund had an assigned fund balance of \$1.56 billion. The remainder of the governmental fund balances includes \$2.8 million nonspendable for items that are not expected to be converted to cash such as advances and long-term loans, \$3.50 billion restricted for programs at various levels and \$320.6 million committed for other reserves.

The General Fund is the chief operating fund of the City. As a measure of liquidity, both the sum of assigned and unassigned fund balances and total fund balance can be compared to total fund expenditures. As of the end of the fiscal year, assigned and unassigned fund balances totaled \$2.23 billion while total fund balance was \$2.67 billion. Combined assigned and unassigned fund balances represent 45.6 percent of total expenditures, while total fund balance represents 54.5 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by \$772.1 million, before transfers and other items of \$823.4 million, resulting in total fund balance decreasing by \$51.2 million. Overall, federal grants increased by \$326.7 million primarily driven by the American Rescue Plan Act for \$312.4 million and CARES Act revenues by \$14.3 million. Property taxes increased by \$257.9 million due to increased ERAF for \$131.6 million, year-over-year growth in the secured assessment roll contributed to about \$87.7 million increased current year secured property tax revenues and \$21.7 million additional property tax in-lieu of vehicle license fees. State grants and subventions also increased by \$90.4 million primarily for mental

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

health and welfare programs. These increases are partly offset by a decline in other sources, particularly in hotel room tax, business taxes, interest and investment income, sales and use tax, parking tax, other revenues, licenses, permits and franchises, utility users tax, other local taxes and rents and concession which were severely impacted by the shelter-in-place order, travel restrictions, closure of non-essential business, cancellation of conferences and events and surging unemployment due to the pandemic. The net result of revenues over expenditures and transfers was a decrease in fund balance this fiscal year. The Fund has a beginning fund balances restatement of \$35.4 million due to implementation of GASB 84.

Proprietary Funds

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

At the end of fiscal year 2020-21, the unrestricted net position for the proprietary funds was as follows: Water Enterprise: \$64.3 million, Hetch Hetchy Water and Power: \$283.6 million, Wastewater Enterprise: \$45.8 million, and Port: \$84.5 million. In addition, the following funds had net deficits in unrestricted net position: Airport: \$18.7 million, SFMTA: \$703.9 million, San Francisco General Hospital: \$632.4 million, and Laguna Honda Hospital: \$285.7 million.

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City's proprietary funds (in thousands). This shows that the total net position for these funds decreased by approximately \$68.9 million due to the current year financial activities. Reasons for this change are discussed in the previous section on the City's business-type activities.

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non- Operating Revenues (Expense)	Capital Contributions and Others	Interfund Transfers, Net	Change In Net Position
Airport.....	\$ 515,416	\$ 914,385	\$ (398,969)	\$ (53,093)	\$ 64,735	\$ (14,736)	\$ (402,063)
Water.....	581,612	448,843	132,769	(132,818)	4,180	4,371	8,502
Hetch Hetchy.....	391,171	408,871	(17,700)	18,661	-	15,468	16,429
Municipal Transportation Agency....	207,288	1,317,073	(1,109,785)	609,859	160,956	644,982	306,012
General Hospital.....	847,971	1,078,078	(230,107)	87,782	-	149,043	6,718
Wastewater Enterprise.....	327,665	292,220	35,445	(23,050)	-	(2,748)	9,647
Port.....	94,330	138,265	(43,935)	14,319	2,019	208	(27,389)
Laguna Honda Hospital.....	222,419	295,072	(72,653)	20,472	-	65,378	13,197
Total.....	<u>\$ 3,187,872</u>	<u>\$ 4,892,807</u>	<u>\$ (1,704,935)</u>	<u>\$ 542,132</u>	<u>\$ 231,890</u>	<u>\$ 861,966</u>	<u>\$ (68,947)</u>

General Fund Budgetary Highlights

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

During the year, actual revenues and other resources were higher than the final budget by \$108.5 million. The City realized \$182.0 million, \$206.7 million, \$72.2 million and \$10.9 million revenues above budget in property tax, real property transfer tax, State subventions and interest and investment income which were partly offset by lower than budgeted revenues of \$93.1 million, \$77.2 million, \$75.4 million, \$36.8 million, \$31.5 million, \$15.0 million and \$14.3 million in hotel room tax, federal grants and subventions, business taxes, sales and use tax, charges for services, other resources and other local taxes, respectively. Property tax was higher primarily due to recognition of ERAF following the guidance from the California State Controller's Office released in February 2021. Property transfer taxes recovered from fourth quarter fiscal year 2019-20 levels and outperformed budget by \$206.7 million as the City budget assumed a much more severe slowdown than occurred, and because voters approved a November 2020 measure that increased tax rates on sales exceeding \$10 million. State health and mental health subventions, health and welfare realignment, and other grants and subventions also have a combined \$72.2 million favorable budget

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

variances. The cash position was better than projected and resulted in higher interest income than budgeted despite low interest rates.

These favorable budget variances were partially offset by unfavorable variances in the remaining taxes, particularly, hotel room tax, business taxes, sales and use tax, other local taxes and parking tax due to the continued shelter-in-place and closure of non-essential businesses attributed to the pandemic, which lasted longer than anticipated at the time of budget preparation. In addition, federal grants and subvention revenues were below budget as cost recoveries from FEMA were not entirely offset by unbudgeted ARPA funds. The remaining unfavorable variances in charges for services, rents and concessions and other resources, licenses, permits and franchises were largely due to cancelation of events, reduced service demand and restrictions imposed by pandemic restrictions, which eased in the fourth quarter.

Differences between the final budget and actual (budgetary basis) expenditures resulted in \$185.6 million in expenditure savings. Highlights of the variances include:

- \$43.2 million savings for human welfare and neighborhood development largely due to reduced aid assistance and payments, community-based organization services and salaries and fringe benefits in the Human Service Agency, Homelessness and Supporting Housing, and Mayor's Office.
- \$43.1 million savings for community health, of which \$33.2 million was in non-personnel services and \$9.3 million in salaries and fringe benefits.
- \$42.5 million savings for budgetary reserve and designations for self-insurance funds.
- \$19.4 million savings for general administration and finance, of which \$17.5 million was in salaries and fringe benefits and the remaining in programmatic expenditures and services from other City departments. City Planning realized savings of \$7.2 million, due to reduced service demands during the pandemic, followed by Controller, City Attorney and General Services Agency- Administrative Services, which realized savings of \$3.1 million, \$2.7 million and \$1.4 million, respectively.
- \$13.3 million savings for public works, transportation and commerce, primarily in Office of Business and Economic Development with reduced aid assistance, loans and City grants issued primarily due to depressed economic activities during the pandemic.
- \$13.0 million savings for general City responsibilities mainly in non-personnel services and lower health service retiree subsidy costs.
- Remaining savings for culture and recreation and public protection are mainly due to lower than budgeted non-personnel costs and services provided by other City departments. Departments with major savings include Superior Court, Juvenile Probation, Recreation and Park, Public Defender, Sheriff and Emergency Management.

The combined effect of revenue higher than budget and savings in expenditures was a budgetary fund balance available for subsequent year appropriation of \$902.0 million at the end of fiscal year 2020-21. The City's fiscal year 2021-22 and 2022-23 Adopted Budget assumed an available balance of \$174.0 million fully appropriated in fiscal year 2021-22 and contingency and other reserves of \$696.2 million, leaving \$31.8 million available for future appropriations (see also Note to the Required Supplementary Information for additional budgetary fund balance details). The Adopted Budget spent \$286.2 million of designated fund balance, including the entirety of the \$113.5 million COVID Response and Economic Contingency Reserve, \$18.7 million of the Federal and State Emergency Revenue Reserve, the entirety of the \$149.0 million Business Tax Stabilization Reserve, and \$5.0 million of the Hotel Tax Loss Contingency Reserve.

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2021, increased by \$1.45 billion, 5.0 percent, to \$30.24 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, bridges, and intangible assets. Governmental activities contributed \$128.7 million or 8.9 percent to this total while \$1.32 billion or 91.1 percent was from business-type activities. Details are shown in the table below.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land.....	\$ 735,247	\$ 673,347	\$ 340,536	\$ 341,624	\$ 1,075,783	\$ 1,014,971
Construction in progress.....	723,561	780,833	5,756,173	5,179,163	6,479,734	5,959,996
Facilities and improvements....	4,111,281	4,050,395	14,083,637	13,537,984	18,194,918	17,588,379
Machinery and equipment.....	156,751	177,781	2,134,710	2,077,965	2,291,461	2,255,746
Infrastructure.....	1,000,149	898,648	1,044,074	904,131	2,044,223	1,802,779
Intangible assets.....	104,517	121,753	49,860	48,599	154,377	170,352
Total.....	\$ 6,831,506	\$ 6,702,757	\$ 23,408,990	\$ 22,089,466	\$ 30,240,496	\$ 28,792,223

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

- Under governmental activities, net capital assets increased by \$128.7 million or 1.9 percent. About \$316.5 million worth of construction in progress work was substantially completed and capitalized as facilities and improvements and infrastructure. Of the completed projects, about \$47.0 million in the Animal Care and Control Center, \$41.0 million for Station 49 Ambulance Deployment Facility Project, \$25.4 million for Margaret Hayward Playground, \$21.8 million for Garfield Square Pool Bldg., \$18.6 million for 1925 Evans Shelter, and \$14.4 million for the Willie Woo Woo Wong Playground. The remaining completed projects are mainly public works.
- The Water Enterprise's net capital assets increased by \$57.3 million or 1.0 percent, reflecting an increase in construction and capital improvement activities. Major additions to construction work in progress included Recycled Water project, Sunol Long Term Improvements and Regional Groundwater Storage and Recovery projects. Facilities, improvements, machinery, and equipment increased by \$19.7 million mainly attributable to the San Andreas Pipeline No. 2 and Water Main Replacement projects, and other upgrade and improvement programs. As of June 30, 2021, Water Enterprise's Water System Improvement Program was 99.0 percent completed with \$4.8 billion of project appropriations expended. The program consists of 35 local projects located within San Francisco and 52 regional projects spread over seven different counties from the Sierra Foothills to San Francisco. The 35 local projects in this program were completed. For regional projects, 44 are completed and 8 are expected to complete in May 2023.
- SFMTA's net capital assets increased by \$354.3 million or 6.9 percent mainly from Central Subway Project construction in progress of \$290.6 million and Muni Forward program of \$61 million. The remaining \$2.7 million was mainly from the procurement of new revenue vehicles. Construction in progress of the \$592.4 million costs incurred were for the New Central Subway Project, Muni Forward program, facility upgrades, and light rail vehicle procurement. Facilities and Improvements of \$4.7 million was incurred in fiscal year 2021 for facility upgrades, Islais Creek annex renovation projects, and Muni Forward program. Equipment cost of \$48.4 million was incurred during the fiscal year mainly for light rail vehicles procurement, facility upgrades, Central Control System upgrades, and streetcar renovation. Infrastructure total of \$184.3 million was incurred during the fiscal year mainly for rail replacement, Muni Forward program, street improvements, and traffic signals.
- Laguna Honda Hospital's net capital assets decreased by \$6.5 million or 1.4 percent due primarily to higher depreciation expense and lower new construction in progress. LHH provides 780 resident beds in three state of the art buildings on LHH's 62-acre campus. The 500,000 square foot facility received

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

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

- SFGH's net capital assets decreased by \$13.6 million or 12.2 percent due to primarily higher depreciation expense and lower new construction in progress.
- The Wastewater Enterprise net capital assets reported an increase of \$544.6 million or 17.8 percent reflecting an increase in construction and capital improvement activities. The Sewer System Improvement Program (SSIP) includes three phases over 20 years to improve the existing wastewater system. As of June 30, 2021, 37 projects were completed, 8 projects in preconstruction phase, 18 projects in construction phase, and 7 projects in close-out phase. The Oceanside Plant (OSP) Condition Assessment Repairs was completed on January 29, 2021, with an improvement focus on maintaining operational reliability and extending the service life of buildings that are required to remain in operation for 30 years or more. The Southeast Plant (SEP) Seismic Reliability and Condition Assessment Improvements Project is on-going construction.
- Hetch Hetchy's net capital assets increased by \$63.3 million or 10.4 percent to \$669.5 million primarily from construction and capital improvement activities, and additions of facilities, improvements, machinery, and equipment for the Bay Corridor Project and Holm Powerhouse Rehabilitation & Kirkwood Powerhouse Oil Containment Upgrades.
- The Airport's net capital assets increased \$333.5 million or 4.9 percent primarily due to the capitalization of higher capital improvement project costs. The Airport maintains a Capital Improvement Plan to build new facilities, improve existing facilities, renovate buildings, repair or replace infrastructure, preserve assets, enhance safety and security, develop systems functionality, and perform needed maintenance. The Terminal 1 (T1) Redevelopment Program is in various stages of construction as of June 30, 2021. The first portion of the improvements consisted of nine gates which opened in July 2019, and the second phase opened in May 2020 adding an additional nine gates, for a total of 18 new operational gates. Construction of another seven gates was completed in May 2021, which now provides Harvey Milk Terminal 1 with a total of 25 operational gates. The next phase of construction will be focused on Terminal 1 North, and this work is forecasted to complete in fiscal year 2023. As a result of the COVID-19 pandemic and the resulting economic uncertainty, the Airport has reprioritized its capital projects and has suspended some projects while moving forward with those that have been identified as essential to the operations and safety of the Airport.
- The Port's net capital assets decreased by \$13.3 million or 2.9 percent due to capitalization and depreciation of capital improvements in 2021, including 19th & Georgia Street Roadway project is located within the Crane Cove Park project site and adjacent to the Pier 70 Shipyard and Orton Historic Core along 20th Street. The scope of work included the construction of approximately 950 feet of new roadway and sidewalk, along with streetlights, fire hydrants, and a combined sewer. Crane Cove Park project is a new open space in the Union Iron Works National Historic District located at Pier 70. This site was part of an operating shipyard for more than 100 years and is being transformed into public open space, using multiple construction contracts. Mission Bay Ferry Landing Terminal provides regional ferry service to and from San Francisco's Mission Bay, Dogpatch, Potrero Hill, Pier 70, and Central Waterfront neighborhoods. The Port's Security Grant Project created secure and dedicated berths for the San Francisco Police Department's (SFPD) marine vessels at Hyde Street Harbor. Heron's Head Park Improvement project improves the Port's open spaces at Heron's Head Park and upgrades the amenities at the EcoCenter.

At the end of the year, the City's business-type activities had approximately \$1.38 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated \$185.2 million, MTA had \$303.5 million, Wastewater had \$633.3 million, Airport had \$93.4 million, Hetch Hetchy had \$143.4 million, Port had \$11.3 million, Laguna Honda Hospital had \$1.8 million, and the General Hospital had \$6.1 million. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

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

Debt Administration

At June 30, 2021, the City had total long-term and commercial paper debt outstanding of \$22.09 billion. Of this amount, \$2.75 billion represents general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City. The remaining \$19.34 billion represents revenue bonds, commercial paper notes, certificates of participation and other debts of the City secured solely by specified revenue sources. As noted previously, the City's total long-term debt including all bonds, loans, commercial paper notes and capital leases increased by \$1.30 billion or 6.3 percent during the fiscal year.

For the year ended June 30, 2021, the net increase in the long-term debt in the governmental activities was \$469.4 million and the net increase in business-type activities was \$421.5 million as discussed in the highlights above.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the assessed value of taxable property in the City – estimated at \$300.17 billion in value as of the close of the fiscal year. As of June 30, 2021, the City had \$2.75 billion in authorized, outstanding general obligation bonds, which is equal to approximately 0.86 percent of gross (0.92 percent of net) taxable assessed value of property. As of June 30, 2021, there were an additional \$1.96 billion in bonds that were authorized but unissued. If all these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.48 percent of gross (1.57 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2021 were:

S&P Global Ratings	AAA
Moody's Investors Service, Inc.	Aaa
Fitch Ratings	AA+

During the fiscal year, S&P Global Ratings (S&P), Moody's Investors Service (Moody's) and Fitch Ratings maintained the City's general obligation bonds ratings of "AAA", "Aaa" and "AA+", respectively. S&P and Fitch Ratings revised the City's stable rating outlook to negative and Moody's maintained the negative rating outlook on all the City's outstanding general obligation bonds.

The City's business-type activities carried underlying debt ratings for the SFMTA of "AA-" from S&P and "Aa2" from Moody's. Moody's and Fitch Ratings affirmed their underlying credit ratings on the outstanding debt of the Airport of "A1" and "A+" with stable and negative outlook, respectively. S&P downgraded the Airport's credit rating from "A+" to "A" and revised the rating outlook from negative to stable during the fiscal year. The Water Enterprise carried underlying ratings of "Aa2" and "AA-" from Moody's and S&P, respectively.

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

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

Economic factors and future budgets and rates

San Francisco experienced severe negative economic impacts from the pandemic and the necessary health response to it, which ended the longest period of expansion in U.S. history, beginning in the final quarter of FY 2019-20. The national, state, and local economies began to slowly stabilize and recover in FY 2020-21. Local public health conditions, interrupted by two surges of COVID-19 prevalence in Summer and Winter 2021, improved over the course of the fiscal year, permitting the targeted lifting of local public health control measures and the recovery of local economic activity. The San Francisco metro area recovered 44 percent of jobs lost in the first two months of the pandemic by the close of FY 2020-21.

Despite these improvements, though, impacts on the local hospitality, office industries, and the local economy were profound. Enplanements at San Francisco International Airport, which declined by 90 percent during the last quarter of the previous fiscal year, improved in FY 2020-21 but were still 50 percent below pre-pandemic levels at the end of the fiscal year. Citywide hotel occupancy rate, which fell to an historic low of 14 percent in April 2020, began a slow recovery in FY 2020-21 and ended the year at 44 percent, improved but well below average occupancy of 80 percent typical in pre-pandemic years. The City's office vacancy rate rose to above 20 percent at the end of FY 2020-21, from just above 5 percent in the first quarter of 2020.

While economic and health conditions began to improve, the annualization of associated tax revenues losses for a full 12 months in FY 2020-21 drove significant losses versus the prior year. Hotel, sales, and parking taxes for FY 2020-21 declined by 86.8 percent, 16.5 percent, and 31.5 percent, respectively, versus the previous year.

The Board of Supervisors approved a final two-year budget for fiscal years 2021-22 and 2022-23 in July 2021, which assumed an available balance of \$174.0 million fully appropriated in fiscal year 2021-22 and contingency and other reserves of \$696.2 million, leaving \$31.8 million available for future appropriations.

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2021

REQUESTS FOR INFORMATION

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

City and County of San Francisco

Office of the Controller

1 Dr. Carlton B. Goodlett Place, Room 316

San Francisco, CA 94102-4694

Individual Department Financial Statements

San Francisco International Airport

Office of the Airport Deputy Director

Business and Finance Division

PO Box 8097

San Francisco, CA 94128

Port of San Francisco

Public Information Officer

Pier 1, The Embarcadero

San Francisco, CA 94111

San Francisco Water Enterprise

Hetch Hetchy Water and Power

San Francisco Wastewater Enterprise

Chief Financial Officer

525 Golden Gate Avenue, 13th Floor

San Francisco, CA 94102

Laguna Honda Hospital

Chief Financial Officer

375 Laguna Honda Blvd.

San Francisco, CA 94116

Municipal Transportation Agency

SFMTA Chief Financial Officer

1 South Van Ness Avenue, 3rd Floor

San Francisco, CA 94103

Health Service System

Chief Financial Officer

1145 Market Street, Suite 300

San Francisco, CA 94103

Zuckerberg San Francisco

General Hospital and Trauma Center

Chief Financial Officer

1001 Potrero Avenue, Suite 2A5

San Francisco, CA 94110

San Francisco

Employees' Retirement System

Executive Director

1145 Market Street, 5th Floor

San Francisco, CA 94103

Successor Agency to the

San Francisco Redevelopment Agency

1 South Van Ness Avenue, 5th Floor

San Francisco, CA 94103

Retiree Health Care Trust

c/o Employees' Retirement System

1145 Market Street, 5th Floor

San Francisco, CA 94103

Blended Component Units Financial Statements

San Francisco County Transportation Authority

Deputy Director for Administration and Finance

1455 Market Street, 22nd Floor

San Francisco, CA 94103

San Francisco Finance Corporation

Office of Public Finance

City Hall, Room 338

1 Dr. Carlton B. Goodlett Place

San Francisco, CA 94102

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CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position

June 30, 2021
(In Thousands)

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Treasure Island
	Activities	Activities		Development
				Authority
ASSETS				
Current assets:				
Deposits and investments with City Treasury.....	\$ 7,325,095	\$ 3,088,166	\$ 10,413,261	\$ -
Deposits and investments outside City Treasury.....	344,163	23,301	367,464	-
Receivables (net of allowance for uncollectible amounts of \$409,579 for the primary government):				
Property taxes and penalties.....	184,847	-	184,847	-
Other local taxes.....	380,617	-	380,617	-
Federal and state grants and subventions.....	347,874	186,828	534,702	-
Charges for services.....	123,891	295,629	419,520	6,113
Interest and other.....	9,266	90,570	99,836	-
Due from component units.....	14,180	713	14,893	-
Inventories.....	37,954	114,793	152,747	-
Other assets.....	57,935	10,798	68,733	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	577,046	577,046	-
Deposits and investments outside City Treasury.....	6,272	177,224	183,496	-
Grants and other receivables.....	-	182,653	182,653	-
Total current assets.....	8,832,094	4,747,721	13,579,815	6,113
Noncurrent assets:				
Loan receivables (net of allowance for uncollectible amounts of \$1,972,980).....	159,426	-	159,426	-
Advance to component units.....	2,896	6,627	9,523	-
Other assets.....	334	8,788	9,122	4,027
Restricted assets:				
Deposits and investments with City Treasury.....	-	845,201	845,201	-
Deposits and investments outside City Treasury.....	-	704,287	704,287	-
Grants and other receivables.....	-	15,240	15,240	-
Capital assets:				
Land and other assets not being depreciated.....	1,459,714	6,108,752	7,568,466	34,846
Facilities, infrastructure and equipment, net of depreciation.....	5,371,792	17,300,238	22,672,030	4,441
Total capital assets.....	6,831,506	23,408,990	30,240,496	39,287
Total noncurrent assets.....	6,994,162	24,989,133	31,983,295	43,314
Total assets.....	15,826,256	29,736,854	45,563,110	49,427
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt.....	7,769	209,749	217,518	-
Deferred outflows on derivative instruments.....	-	21,374	21,374	-
Deferred outflows related to pensions.....	912,553	646,517	1,559,070	16
Deferred outflows related to OPEB.....	332,409	314,324	646,733	-
Total deferred outflows of resources.....	\$ 1,252,731	\$ 1,191,964	\$ 2,444,695	\$ 16

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position (Continued)

June 30, 2021
(In Thousands)

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Treasure Island
	Activities	Activities		Development
				Authority
LIABILITIES				
Current liabilities:				
Accounts payable.....	\$ 503,199	\$ 239,739	\$ 742,938	\$ 956
Accrued payroll.....	162,318	120,557	282,875	118
Accrued vacation and sick leave pay.....	121,663	86,495	208,158	-
Accrued workers' compensation.....	56,729	40,621	97,350	-
Estimated claims payable.....	83,426	84,110	167,536	-
Bonds, loans, capital leases, and other payables.....	247,790	1,028,759	1,276,549	-
Accrued interest payable.....	22,592	60,787	83,379	-
Unearned grant and subvention revenues.....	169,560	-	169,560	-
Due to primary government.....	-	-	-	11,618
Internal balances.....	49,972	(49,972)	-	-
Unearned revenues and other liabilities.....	1,191,994	702,764	1,894,758	2,695
Liabilities payable from restricted assets:				
Bonds, loans, capital leases, and other payables.....	-	280,317	280,317	-
Accrued interest payable.....	-	60,859	60,859	-
Other.....	-	263,710	263,710	-
Total current liabilities.....	2,609,243	2,918,746	5,527,989	15,387
Noncurrent liabilities:				
Accrued vacation and sick leave pay.....	128,741	84,268	213,009	-
Accrued workers' compensation.....	249,093	190,496	439,589	-
Estimated claims payable.....	121,427	101,392	222,819	-
Bonds, loans, capital leases, and other payables.....	4,209,012	16,328,337	20,537,349	-
Advance from primary government.....	-	-	-	6,627
Unearned revenues and other liabilities.....	1,124	136,484	137,608	-
Derivative instruments liabilities.....	-	21,374	21,374	-
Net pension liability.....	3,385,806	2,228,215	5,614,021	21
Net other postemployment benefits (OPEB) liability.....	2,110,202	1,701,145	3,811,347	-
Total noncurrent liabilities.....	10,205,405	20,791,711	30,997,116	6,648
Total liabilities.....	12,814,648	23,710,457	36,525,105	22,035
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt.....	31,835	2,137	33,972	-
Deferred inflows related to pensions.....	111,431	67,477	178,908	6
Deferred inflows related to OPEB.....	361,876	252,721	614,597	-
Total deferred inflows of resources.....	505,142	322,335	827,477	6
NET POSITION				
Net investment in capital assets, Note 10(d).....	3,927,209	7,003,396	10,561,206	39,287
Restricted for:				
Reserve for rainy day.....	114,539	-	114,539	-
Debt service.....	136,571	242,381	378,952	-
Capital projects, Note 10(d).....	256,804	510,813	646,400	-
Community development.....	1,267,587	-	1,267,587	-
Transportation Authority activities.....	42,420	-	42,420	-
Building inspection programs.....	130,927	-	130,927	-
Children and families.....	511,810	-	511,810	-
Culture and recreation.....	244,368	-	244,368	-
Grants.....	150,374	-	150,374	-
Other purposes.....	110,370	301,944	412,314	-
Total restricted.....	2,965,770	1,055,138	3,899,691	-
Unrestricted (deficit), Note 10(d).....	(3,133,782)	(1,162,508)	(3,805,674)	(11,885)
Total net position.....	\$ 3,759,197	\$ 6,896,026	\$ 10,655,223	\$ 27,402

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Activities Year Ended June 30, 2021 (In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
Primary government:								
Governmental activities:								
Public protection.....	\$ 1,744,103	\$ 85,593	\$ 238,595	\$ 472	\$ (1,419,443)	\$ -	\$ (1,419,443)	\$ -
Public works, transportation and commerce.....	530,087	136,455	57,141	62,537	(273,954)	-	(273,954)	-
Human welfare and neighborhood development.....	2,384,993	207,974	868,758	61,650	(1,246,611)	-	(1,246,611)	-
Community health.....	1,241,282	120,141	414,387	1,772	(704,982)	-	(704,982)	-
Culture and recreation.....	467,251	42,676	12,398	4,505	(407,672)	-	(407,672)	-
General administration and finance.....	475,428	80,780	18,179	1	(376,468)	-	(376,468)	-
General City responsibilities.....	100,077	57,943	316,081	-	273,947	-	273,947	-
Unallocated interest on long-term debt and cost of issuance.....	144,334	-	-	-	(144,334)	-	(144,334)	-
Total governmental activities.....	7,087,555	731,562	1,925,539	130,937	(4,299,517)	-	(4,299,517)	-
Business-type activities:								
Airport.....	1,294,064	515,416	-	64,735	-	(713,913)	(713,913)	-
Transportation.....	1,327,418	207,288	595,637	160,956	-	(363,537)	(363,537)	-
Port.....	142,126	94,330	1,136	2,019	-	(44,641)	(44,641)	-
Water.....	627,875	581,612	14,829	4,180	-	(27,254)	(27,254)	-
Power.....	411,605	391,171	2,832	-	-	(17,602)	(17,602)	-
Hospitals.....	1,376,112	1,070,390	95,625	-	-	(210,097)	(210,097)	-
Sewer.....	318,976	327,665	-	-	-	8,689	8,689	-
Total business-type activities.....	5,498,176	3,187,872	710,059	231,890	-	(1,368,355)	(1,368,355)	-
Total primary government.....	\$ 12,585,731	\$ 3,919,434	\$ 2,635,598	\$ 362,827	(4,299,517)	(1,368,355)	(5,667,872)	-
Component unit:								
Treasure Island Development Authority.....	\$ 20,814	\$ 8,767	\$ -	\$ -				\$ (12,047)
General Revenues								
Taxes:								
Property taxes.....					2,972,067	-	2,972,067	-
Business taxes.....					1,894,604	-	1,894,604	-
Sales and use tax.....					233,393	-	233,393	-
Hotel room tax.....					37,698	-	37,698	-
Utility users tax.....					81,367	-	81,367	-
Parking tax.....					47,555	-	47,555	-
Real property transfer tax.....					344,684	-	344,684	-
Other local taxes.....					61,613	-	61,613	-
Interest and investment income.....					10,688	(3,066)	7,622	23
Other.....					67,838	440,508	508,346	8,949
Transfers - internal activities of primary government.....					(861,966)	861,966	-	-
Total general revenues and transfers.....					4,889,541	1,299,408	6,188,949	8,972
Change in net position.....					590,024	(68,947)	521,077	(3,075)
Net position at beginning of year, as previously reported.....					3,133,622	6,964,973	10,098,595	30,477
Cumulative effect of accounting change.....					35,551	-	35,551	-
Net position at beginning of year, as restated.....					3,169,173	6,964,973	10,134,146	30,477
Net position at end of year.....	\$ 3,759,197	\$ 6,896,026	\$ 10,655,223	\$ 27,402				

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, 2021

(With comparative financial information as of June 30, 2020)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2021	2020	2021	2020	2021	2020
Assets:						
Deposits and investments with City Treasury.....	\$ 3,549,740	\$ 3,492,112	\$ 3,731,984	\$ 3,236,428	\$ 7,281,724	\$ 6,728,540
Deposits and investments outside City Treasury.....	132	126	344,031	310,574	344,163	310,700
Receivables (net of allowance for uncollectible amounts of \$337,375 in 2021; \$309,138 in 2020):						
Property taxes and penalties.....	174,906	173,412	9,941	11,240	184,847	184,652
Other local taxes.....	249,316	277,813	131,301	120,764	380,617	398,577
Federal and state grants and subventions.....	203,173	223,694	144,701	101,237	347,874	324,931
Charges for services.....	107,488	106,265	16,173	16,612	123,661	122,877
Interest and other.....	4,773	16,123	4,141	14,180	8,914	30,303
Due from other funds.....	6,687	6,912	9,919	14,196	16,606	21,108
Due from component units.....	8,283	8,763	5,897	6,963	14,180	15,726
Advance to component unit.....	-	-	2,896	4,669	2,896	4,669
Loans receivable (net of allowance for uncollectible amounts of \$1,972,980 in 2021; \$1,746,661 in 2020)	-	15,461	159,426	129,223	159,426	144,684
Inventories.....	37,954	44,703	-	-	37,954	44,703
Other assets.....	32,136	8,856	25,797	17,131	57,933	25,987
Total assets.....	\$ 4,374,588	\$ 4,374,240	\$ 4,586,207	\$ 3,983,217	\$ 8,960,795	\$ 8,357,457
Liabilities:						
Accounts payable.....	\$ 317,858	\$ 348,732	\$ 175,049	\$ 207,538	\$ 492,907	\$ 556,270
Accrued payroll.....	133,386	119,761	25,976	21,323	159,362	141,084
Unearned grant and subvention revenues.....	23,361	76,172	146,199	111,652	169,560	187,824
Due to other funds.....	523	1,030	66,055	58,895	66,578	59,925
Unearned revenues and other liabilities.....	898,725	785,789	293,235	916,348	1,191,960	1,702,137
Bonds, loans, capital leases, and other payables.....	-	-	18,760	108,190	18,760	108,190
Total liabilities.....	1,373,853	1,331,484	725,274	1,423,946	2,099,127	2,755,430
Deferred inflows of resources.....	330,631	356,834	253,838	205,317	584,469	562,151
Fund balances:						
Nonspendable.....	2,714	1,274	82	82	2,796	1,356
Restricted.....	114,539	229,069	3,384,275	2,229,282	3,498,814	2,458,351
Committed.....	320,637	363,410	-	-	320,637	363,410
Assigned.....	1,562,035	1,581,761	224,658	125,319	1,786,693	1,707,080
Unassigned.....	670,179	510,408	(1,920)	(729)	668,259	509,679
Total fund balances.....	2,670,104	2,685,922	3,607,095	2,353,954	6,277,199	5,039,876
Total liabilities, deferred inflows of resources and fund balances.....	\$ 4,374,588	\$ 4,374,240	\$ 4,586,207	\$ 3,983,217	\$ 8,960,795	\$ 8,357,457

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

CITY AND COUNTY OF SAN FRANCISCO
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021
(In Thousands)

Fund balances – total governmental funds	\$ 6,277,199
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,818,309
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(5,078,851)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources and are recognized as revenues in the period the amounts become available in the governmental funds.	584,469
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(21,799)
Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(24,575)
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(2,546,505)
Net OPEB asset/liability and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(2,091,365)
Internal service funds are used by management to charge the costs of capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	(157,685)
Net position of governmental activities	<u>\$ 3,759,197</u>

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, 2021 (With comparative financial information year ended June 30, 2020) (In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2021	2020	2021	2020	2021	2020
Revenues:						
Property taxes.....	\$ 2,332,864	\$ 2,075,002	\$ 631,889	\$ 579,935	\$ 2,964,753	\$ 2,654,937
Business taxes.....	722,642	822,154	1,171,962	11,777	1,894,604	833,931
Sales and use tax.....	146,863	180,184	86,530	99,269	233,393	279,453
Hotel room tax.....	33,177	252,170	4,521	28,800	37,698	280,970
Utility users tax.....	81,367	94,231	-	-	81,367	94,231
Parking tax.....	47,555	69,461	-	-	47,555	69,461
Real property transfer tax.....	344,661	334,535	-	-	344,661	334,535
Other local taxes.....	55,395	65,599	6,218	5,264	61,613	70,863
Licenses, permits and franchises.....	12,332	25,318	14,854	13,154	27,186	38,472
Fines, forfeitures, and penalties.....	4,508	3,705	69,765	40,125	74,273	43,830
Interest and investment income.....	(1,605)	65,459	12,293	76,179	10,688	141,638
Rents and concessions.....	5,111	9,816	71,202	109,049	76,313	118,865
Intergovernmental:						
Federal.....	705,120	378,467	202,242	212,230	907,362	590,697
State.....	892,897	802,470	212,937	187,794	1,105,834	990,264
Other.....	9,786	2,404	17,104	24,079	26,890	26,483
Charges for services.....	230,048	229,759	146,065	168,646	376,113	398,405
Other.....	46,434	62,218	136,392	152,141	182,826	214,359
Total revenues.....	<u>5,669,155</u>	<u>5,472,952</u>	<u>2,783,974</u>	<u>1,708,442</u>	<u>8,453,129</u>	<u>7,181,394</u>
Expenditures:						
Current:						
Public protection.....	1,498,514	1,479,195	77,942	71,930	1,576,456	1,551,125
Public works, transportation and commerce.....	204,973	203,350	253,181	285,347	458,154	488,697
Human welfare and neighborhood development.....	1,562,982	1,252,865	776,955	817,523	2,339,937	2,070,388
Community health.....	1,056,590	909,261	114,140	117,654	1,170,730	1,026,915
Culture and recreation.....	145,405	155,164	271,701	304,993	417,106	460,157
General administration and finance.....	314,298	304,073	81,494	88,556	395,792	392,629
General City responsibilities.....	113,913	129,941	-	-	113,913	129,941
Debt service:						
Principal retirement.....	-	-	356,986	296,875	356,986	296,875
Interest and other fiscal charges.....	338	-	154,620	150,646	154,958	150,646
Bond issuance costs.....	-	-	7,864	4,455	7,864	4,455
Payment to refunded bond escrow agent.....	-	-	7,167	8,905	7,167	8,905
Capital outlay.....	-	-	275,638	454,137	275,638	454,137
Total expenditures.....	<u>4,897,013</u>	<u>4,433,849</u>	<u>2,377,688</u>	<u>2,601,021</u>	<u>7,274,701</u>	<u>7,034,870</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>772,142</u>	<u>1,039,103</u>	<u>406,286</u>	<u>(892,579)</u>	<u>1,178,428</u>	<u>146,524</u>
Other financing sources (uses):						
Transfers in.....	343,498	87,618	620,149	613,773	963,647	701,391
Transfers out.....	(1,166,855)	(1,157,822)	(658,831)	(222,503)	(1,825,686)	(1,380,325)
Issuance of bonds:						
Face value of bonds issued.....	-	-	985,535	615,625	985,535	615,625
Premium on issuance of bonds.....	-	-	93,427	73,759	93,427	73,759
Payment to refunded bond escrow agent.....	-	-	(193,579)	(257,675)	(193,579)	(257,675)
Total other financing sources (uses).....	<u>(823,357)</u>	<u>(1,070,204)</u>	<u>846,701</u>	<u>822,979</u>	<u>23,344</u>	<u>(247,225)</u>
Net changes in fund balances.....	<u>(51,215)</u>	<u>(31,101)</u>	<u>1,252,987</u>	<u>(69,600)</u>	<u>1,201,772</u>	<u>(100,701)</u>
Fund balances at beginning of year,						
as previously reported.....	2,685,922	2,717,023	2,353,954	2,423,554	5,039,876	5,140,577
Cumulative effect of accounting change.....	35,397	-	154	-	35,551	-
Fund balances at beginning of year, as restated.....	<u>2,721,319</u>	<u>2,717,023</u>	<u>2,354,108</u>	<u>2,423,554</u>	<u>5,075,427</u>	<u>5,140,577</u>
Fund balances at end of year.....	<u>\$ 2,670,104</u>	<u>\$ 2,685,922</u>	<u>\$ 3,607,095</u>	<u>\$ 2,353,954</u>	<u>\$ 6,277,199</u>	<u>\$ 5,039,876</u>

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, 2021

(In Thousands)

Net changes in fund balances - total governmental funds	\$ 1,201,772
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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, the loss on disposal of capital assets, and contributed capital assets.	129,788
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources.	(494,202)
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Property taxes are recognized as revenues in the period the amounts become available. This is the current period amount by which the deferred inflows of resources increased in the governmental funds.	7,314
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Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds.	15,455
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Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds.	(224)
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Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	95,951
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Changes to net OPEB asset/liability and OPEB related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	113,131
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. This is the amount by which bond proceeds exceeded the principal retirement and payments to escrow for refunded debt in the current period.	(430,689)
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Bond premiums are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net position. This is the amount of bond premiums capitalized during the current period.	(93,427)
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Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond premiums and refunding losses and gains.	23,368
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The activities of internal service funds are reported with governmental activities.	21,787
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Change in net position of governmental activities	<u>\$ 590,024</u>
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The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Position - Proprietary Funds
June 30, 2021
(With comparative financial information as of June 30, 2020)
(In Thousands)

	Business-Type Activities - Enterprise Funds											
	Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total		Governmental Activities - Internal Service Funds	
									2021	2020	2021	2020
ASSETS												
Current Assets:												
Deposits and investments with City Treasury.....	\$ 651,373	\$ 483,827	\$ 370,930	\$ 710,303	\$ 409,202	\$ 281,572	\$ 180,959	\$ -	\$ 3,088,166	\$ 2,731,416	\$ 43,371	\$ 33,807
Deposits and investments outside City Treasury.....	17,785	301	612	4,222	8	366	5	2	23,301	23,060	-	-
Receivables (net of allowance for uncollectible amounts of \$ 72,204 and \$47,604 in 2021 and 2020, respectively):												
Federal and state grants and subventions.....	-	16	846	140,190	571	-	19,264	25,941	186,828	235,101	-	-
Charges for services.....	40,450	55,473	47,680	3,176	82,358	33,081	-	33,411	295,629	293,416	230	238
Interest and other.....	1,717	6,404	201	10,198	71,549	189	126	186	90,570	280,161	352	351
Capital leases receivable.....	-	-	-	-	-	-	-	-	-	-	13,005	12,372
Due from other funds.....	-	248	5,779	45,111	104	261	369	-	51,872	45,269	-	-
Due from component unit.....	-	-	51	-	-	20	642	-	713	-	-	-
Inventories.....	4,461	5,937	2,011	82,528	13,640	2,657	1,609	1,950	114,793	120,505	-	-
Other assets.....	3,816	-	5,252	842	-	877	11	-	10,798	12,278	2	-
Restricted assets:												
Deposits and investments with City Treasury.....	417,587	-	-	-	-	-	41,600	117,859	577,046	543,550	-	-
Deposits and investments outside City Treasury.....	114,326	57,165	153	-	-	298	5,282	-	177,224	232,393	6,272	6,324
Grants and other receivables.....	93,728	53,529	11,800	-	-	23,596	-	-	182,653	96,448	-	-
Total current assets.....	1,345,243	662,900	445,315	996,570	577,432	342,917	249,867	179,349	4,799,593	4,613,597	63,232	53,092
Noncurrent assets:												
Other assets.....	-	3,724	905	-	-	1,524	2,635	-	8,788	8,951	-	-
Capital leases receivable.....	-	-	-	-	-	-	-	-	-	-	97,850	111,420
Advance to component unit.....	-	-	6,627	-	-	-	-	-	6,627	6,581	-	-
Restricted assets:												
Deposits and investments with City Treasury.....	531,237	-	12,231	301,733	-	-	-	-	845,201	1,127,475	-	-
Deposits and investments outside City Treasury.....	616,398	65,688	3,690	8,484	109	9,898	-	20	704,287	748,249	-	-
Grants and other receivables.....	335	4	-	218	-	450	-	14,233	15,240	17,932	-	-
Capital assets:												
Land and other assets not being depreciated.....	1,137,714	637,529	213,126	2,587,105	21,828	1,388,262	115,877	7,311	6,108,752	5,532,830	313	313
Facilities, infrastructure, and equipment, net of depreciation.....	5,933,164	4,950,270	456,411	2,868,994	76,337	2,218,588	332,580	463,894	17,300,238	16,556,636	12,884	13,923
Total capital assets.....	7,070,878	5,587,799	669,537	5,456,099	98,165	3,606,850	448,457	471,205	23,408,990	22,089,466	13,197	14,236
Total noncurrent assets.....	8,218,848	5,657,215	692,990	5,766,534	98,274	3,618,722	451,092	485,458	24,989,133	23,998,654	111,047	125,656
Total assets.....	9,564,091	6,320,115	1,138,305	6,763,104	675,706	3,961,639	700,959	664,807	29,788,726	28,612,251	174,279	178,748
DEFERRED OUTFLOWS OF RESOURCES												
Unamortized loss on refunding of debt.....	53,582	154,991	-	919	-	91	166	-	209,749	194,982	787	880
Deferred outflows on derivative instruments.....	21,374	-	-	-	-	-	-	-	21,374	28,221	-	-
Deferred outflows related to pensions.....	94,882	64,797	18,133	217,220	144,235	30,219	13,884	63,147	646,517	643,000	18,872	18,512
Deferred outflows related to OPEB.....	39,632	37,762	8,719	115,764	59,108	15,109	5,168	33,062	314,324	236,802	7,689	6,222
Total deferred outflows of resources.....	209,470	257,550	26,852	333,903	203,343	45,419	19,218	96,209	1,191,964	1,103,005	27,348	25,614

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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Position - Proprietary Funds (Continued)
June 30, 2021
(With comparative financial information as of June 30, 2020)
(In Thousands)

	Business-Type Activities - Enterprise Funds											
	Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total		Governmental Activities - Internal Service Funds	
									2021	2020	2021	2020
LIABILITIES												
Current liabilities:												
Accounts payable.....	\$ 71,266	\$ 16,183	\$ 43,030	\$ 62,453	\$ 22,859	\$ 15,282	\$ 4,669	\$ 3,997	\$ 239,739	\$ 225,926	\$ 10,292	\$ 10,247
Accrued payroll.....	16,748	9,845	3,929	40,065	30,367	6,147	2,128	11,328	120,557	107,442	2,956	2,660
Accrued vacation and sick leave pay.....	12,837	6,787	3,041	29,411	19,580	5,811	1,862	7,166	86,495	75,598	2,486	2,035
Accrued workers' compensation.....	2,235	1,694	575	25,232	5,751	1,198	472	3,464	40,621	40,589	270	284
Estimated claims payable.....	20	14,400	633	62,740	-	5,892	425	-	84,110	78,970	-	-
Due to other funds.....	-	-	369	125	-	739	667	-	1,900	6,432	-	20
Unearned revenues and other liabilities.....	160,189	40,504	6,191	73,306	340,220	5,345	17,865	59,144	702,764	466,130	2,499	2,671
Accrued interest payable.....	-	36,195	459	4,749	52	17,271	1,281	780	60,787	67,718	793	883
Bonds, loans, capital leases, and other payables.....	4,883	218,999	117,004	3,838	9,808	664,666	3,491	6,070	1,028,759	982,693	13,109	12,461
Liabilities payable from restricted assets:												
Bonds, loans, capital leases, and other payables....	280,317	-	-	-	-	-	-	-	280,317	41,372	-	-
Accrued interest payable.....	60,859	-	-	-	-	-	-	-	60,859	62,065	-	-
Other.....	118,332	27,263	24,450	3,325	-	89,982	-	358	263,710	285,592	-	-
Total current liabilities.....	727,686	371,870	199,681	305,244	428,637	812,333	32,860	92,307	2,970,618	2,440,527	32,405	31,261
Noncurrent liabilities:												
Accrued vacation and sick leave pay.....	13,642	7,129	3,161	26,777	19,597	5,847	1,850	6,265	84,268	59,629	2,831	2,137
Accrued workers' compensation.....	8,093	7,134	2,663	113,789	32,206	5,384	2,052	19,175	190,496	191,907	1,179	1,299
Estimated claims payable.....	38	22,323	1,006	66,854	-	10,821	350	-	101,392	65,567	-	-
Unearned revenues and other liabilities.....	116	40,597	9,968	-	-	7,800	78,003	-	136,484	141,195	-	-
Bonds, loans, capital leases, and other payables.....	8,839,097	5,087,707	57,410	481,751	7,345	1,698,420	77,432	79,175	16,328,337	15,694,308	101,519	115,312
Derivative instruments liabilities.....	21,374	-	-	-	-	-	-	-	21,374	28,221	-	-
Net pension liability.....	340,330	216,417	62,219	757,882	504,718	103,746	46,503	196,400	2,228,215	1,831,949	55,173	48,163
Net other postemployment benefits (OPEB) liability...	258,525	148,771	35,006	657,902	358,201	50,711	30,792	161,237	1,701,145	1,784,905	47,383	48,300
Total noncurrent liabilities.....	9,481,215	5,530,078	171,433	2,104,955	922,067	1,882,729	236,982	462,252	20,791,711	19,797,681	208,085	215,211
Total liabilities.....	10,208,901	5,901,948	371,114	2,410,199	1,350,704	2,695,062	269,842	554,559	23,762,329	22,238,208	240,490	246,472
DEFERRED INFLOWS OF RESOURCES												
Unamortized gain on refunding of debt.....	836	-	-	-	-	-	-	1,301	2,137	2,594	278	317
Deferred inflows related to pensions.....	14,859	4,885	3,288	21,868	13,460	2,148	1,947	5,022	67,477	379,188	1,878	11,125
Deferred inflows related to OPEB.....	43,768	21,315	6,546	94,921	51,320	7,265	4,485	23,101	252,721	130,293	8,276	4,765
Total deferred inflows of resources.....	59,463	26,200	9,834	116,789	64,780	9,413	6,432	29,424	322,335	512,075	10,432	16,207
NET POSITION												
Net investment in capital assets.....	(1,030,427)	517,302	500,547	4,966,793	81,121	1,253,789	328,291	385,980	7,003,396	7,013,098	12,878	13,601
Restricted:												
Debt service.....	117,856	45,586	99	7,889	-	2,992	-	67,959	242,381	316,671	-	-
Capital projects.....	436,516	22,319	-	-	14,853	-	31,063	6,062	510,813	523,169	-	-
Other purposes.....	-	-	-	299,221	-	-	-	2,723	301,944	116,861	-	-
Unrestricted (deficit).....	(18,748)	64,310	283,563	(703,884)	(632,409)	45,802	84,549	(285,691)	(1,162,508)	(1,004,826)	(62,173)	(71,918)
Total net position.....	\$ (494,803)	\$ 649,517	\$ 784,209	\$ 4,570,019	\$ (536,435)	\$ 1,302,583	\$ 443,903	\$ 177,033	\$ 6,896,026	\$ 6,964,973	\$ (49,295)	\$ (58,317)

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds Year Ended June 30, 2021 (With comparative financial information year ended June 30, 2020) (In Thousands)

Business-Type Activities - Enterprise Funds												
Major Funds												
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total		Governmental Activities - Internal Service Funds	
									2021	2020	2021	2020
Operating revenues:												
Aviation.....	\$ 337,215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 337,215	\$ 613,473	\$ -	\$ -
Water and power service.....	-	550,306	390,924	-	-	-	-	-	941,230	971,690	-	-
Passenger fees.....	-	-	-	17,680	-	-	-	-	17,680	152,924	-	-
Net patient service revenue.....	-	-	-	-	840,126	-	-	221,378	1,061,504	1,082,683	-	-
Sewer service.....	-	-	-	-	-	318,236	-	-	318,236	331,721	-	-
Rents and concessions.....	69,095	12,911	247	5,511	2,619	642	78,930	-	169,955	246,609	561	445
Parking and transportation.....	44,819	-	-	137,047	-	-	9,992	-	191,858	297,151	-	-
Other charges for services.....	-	-	-	17,544	-	-	-	-	17,544	27,557	161,623	162,492
Other revenues.....	64,287	18,395	-	29,506	5,226	8,787	5,408	1,041	132,650	160,604	-	-
Total operating revenues.....	515,416	581,612	391,171	207,288	847,971	327,665	94,330	222,419	3,187,872	3,884,412	162,184	162,937
Operating expenses:												
Personal services.....	363,451	132,528	68,268	839,491	642,140	90,449	51,035	228,558	2,415,920	2,388,464	59,176	62,101
Contractual services.....	77,077	15,501	18,169	128,803	265,666	18,861	23,176	18,627	565,880	593,886	66,576	66,328
Light, heat and power.....	24,809	-	233,682	-	-	-	2,418	-	260,909	252,139	-	-
Materials and supplies.....	11,488	13,175	3,288	74,643	110,258	9,091	1,017	22,748	245,708	245,596	13,483	14,790
Depreciation and amortization.....	331,135	144,033	21,636	201,186	17,791	72,018	23,479	12,288	823,566	803,873	3,716	3,595
General and administrative.....	5,766	73,371	51,246	30,069	1,103	63,488	5,799	-	230,842	217,435	211	1,392
Services provided by other departments.....	29,320	70,235	12,582	76,524	44,490	38,313	22,202	12,851	306,517	300,047	11,414	12,311
Other.....	71,339	-	-	(33,643)	(3,370)	-	9,139	-	43,465	63,814	578	675
Total operating expenses.....	914,385	448,843	408,871	1,317,073	1,078,078	292,220	138,265	295,072	4,892,807	4,865,254	155,154	161,192
Operating income (loss).....	(398,969)	132,769	(17,700)	(1,109,785)	(230,107)	35,445	(43,935)	(72,653)	(1,704,935)	(980,842)	7,030	1,745
Nonoperating revenues (expenses):												
Operating grants:												
Federal.....	-	(175)	2,181	455,724	28,329	-	1	7,388	493,448	230,333	-	329
State / other.....	-	15,004	651	139,913	59,908	-	1,135	-	216,611	225,340	58	-
Interest and investment income.....	(2,542)	340	(157)	(268)	170	(1,187)	597	(19)	(3,066)	151,319	1,578	2,967
Interest expense.....	(270,299)	(176,824)	(1,988)	(10,345)	(625)	(26,365)	(3,053)	(2,337)	(491,836)	(532,595)	(2,286)	(3,089)
Other nonoperating revenues.....	329,128	31,045	18,720	24,835	-	4,893	16,447	15,440	440,508	245,466	2,569	792
Other nonoperating expenses.....	(109,380)	(2,208)	(746)	-	-	(391)	(808)	-	(113,533)	(115,485)	-	-
Total nonoperating revenues (expenses).....	(53,093)	(132,818)	18,661	609,859	87,782	(23,050)	14,319	20,472	542,132	204,378	1,919	999
Income (loss) before capital contributions and transfers.....	(452,062)	(49)	961	(499,926)	(142,325)	12,395	(29,616)	(52,181)	(1,162,803)	(776,464)	8,949	2,744
Capital contributions.....	64,735	4,180	-	160,956	-	-	2,019	-	231,890	361,266	-	-
Transfers in.....	-	21,025	16,000	644,982	151,213	1,440	240	76,066	910,966	761,432	73	-
Transfers out.....	(14,736)	(16,654)	(532)	-	(2,170)	(4,188)	(32)	(10,688)	(49,000)	(81,982)	-	(516)
Change in net position.....	(402,063)	8,502	16,429	306,012	6,718	9,647	(27,389)	13,197	(68,947)	264,252	9,022	2,228
Net position (deficit) at beginning of year.....	(92,740)	641,015	767,780	4,264,007	(543,153)	1,292,936	471,292	163,836	6,964,973	6,700,721	(58,317)	(60,545)
Net position (deficit) at end of year.....	\$ (494,803)	\$ 649,517	\$ 784,209	\$ 4,570,019	\$ (536,435)	\$ 1,302,583	\$ 443,903	\$ 177,033	\$ 6,896,026	\$ 6,964,973	\$ (49,295)	\$ (58,317)

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, 2021

(With comparative financial information year ended June 30, 2020)

(In Thousands)

	Business-Type Activities - Enterprise Funds												
	Major Funds												
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total		Governmental Activities - Internal Service Funds		
									2021	2020	2021	2020	
Cash flows from operating activities:													
Cash received from customers, including cash deposits.....	\$ 694,223	\$ 570,041	\$ 390,482	\$ 255,423	\$ 1,067,138	\$ 327,879	\$ 33,246	\$ 238,754	\$ 3,577,186	\$ 3,818,270	\$ 171,991	\$ 172,350	
Cash received from tenants for rent.....	-	12,542	258	4,173	2,619	362	71,109	-	91,063	98,627	-	-	
Cash paid for employees' services.....	(322,847)	(132,235)	(65,177)	(815,468)	(618,373)	(90,918)	(46,040)	(231,745)	(2,322,803)	(2,298,942)	(61,130)	(61,470)	
Cash paid to suppliers for goods and services.....	(208,004)	(138,125)	(314,795)	(311,332)	(410,741)	(128,808)	(72,937)	(54,899)	(1,639,641)	(1,693,850)	(83,660)	(88,015)	
Cash paid for judgments and claims.....	-	(3,969)	(5,077)	(3,127)	-	(3,295)	-	-	(15,468)	(14,451)	-	-	
Net cash provided by (used in) operating activities.....	163,372	308,254	5,691	(870,331)	40,643	105,220	(14,622)	(47,890)	(309,663)	(90,346)	27,201	22,865	
Cash flows from noncapital financing activities:													
Operating grants.....	-	14,836	6,205	575,239	88,286	-	998	7,388	692,952	435,368	58	329	
Transfers in.....	-	21,025	16,000	595,479	151,213	1,440	-	76,066	861,223	664,984	73	-	
Transfers out.....	(14,957)	(16,654)	(532)	-	(2,169)	(4,188)	(32)	(10,688)	(49,220)	(81,761)	-	(516)	
Other noncapital financing sources.....	228,133	4,643	18,305	20,836	-	831	19,106	-	291,854	71,869	-	-	
Other noncapital financing uses.....	(67,404)	(2,208)	(1,200)	-	-	(409)	(5,244)	-	(76,465)	(90,965)	(307)	-	
Net cash provided by (used in) noncapital financing activities.....	145,772	21,642	38,778	1,191,554	237,330	(2,326)	14,828	72,766	1,720,344	999,495	(176)	(187)	
Cash flows from capital and related financing activities:													
Capital grants and other proceeds restricted for capital purposes...	23,525	-	-	232,887	-	-	1,609	15,147	273,168	425,621	-	-	
Transfers in.....	-	-	-	49,503	-	-	240	-	49,743	96,448	-	-	
Bond sale proceeds and loans received.....	2,242	1,058,781	-	299,040	-	4,811	-	-	1,364,874	1,612,447	-	-	
Proceeds from sale/transfer of capital assets.....	-	2,647	-	268	-	12	5	-	2,932	858	-	-	
Proceeds from commercial paper borrowings.....	335,606	16,328	51,136	-	39	435,450	-	-	838,559	267,790	-	-	
Proceeds from passenger facility charges.....	21,468	-	-	-	-	-	-	-	21,468	91,921	-	-	
Acquisition of capital assets.....	(659,434)	(184,144)	(79,442)	(570,443)	(4,154)	(582,840)	(11,971)	(5,424)	(2,097,852)	(2,045,426)	(2,677)	(5,741)	
Retirement of capital leases, bonds and loans.....	(5,600)	(977,164)	(3,674)	(173,969)	(5,631)	(31,316)	(3,367)	(5,914)	(1,206,635)	(1,089,194)	(12,461)	(6,083)	
Bond issue costs paid.....	-	(3,032)	-	(1,504)	-	-	-	-	(4,536)	(1,953)	-	(61)	
Interest paid on debt.....	(362,674)	(210,624)	(3,102)	(10,723)	(635)	(68,261)	(3,445)	(3,439)	(662,903)	(711,075)	(2,302)	(3,246)	
Federal interest income subsidy from Build America Bonds.....	-	23,869	511	-	-	2,297	-	-	26,677	28,393	-	-	
Other capital financing sources.....	-	-	-	4,458	-	-	7,946	-	12,404	6,620	-	-	
Other capital financing uses.....	-	-	-	-	-	-	(10,826)	-	(10,826)	(1,180)	-	-	
Net cash provided by (used in) capital and related financing activities.....	(644,867)	(273,339)	(34,571)	(170,483)	(10,381)	(239,847)	(19,809)	370	(1,392,927)	(1,318,730)	(17,440)	(15,131)	
Cash flows from investing activities:													
Purchases of investments with trustees.....	(837,722)	(323,586)	(3,968)	-	-	(134,955)	-	-	(1,300,231)	(1,662,529)	-	-	
Proceeds from sale of investments with trustees.....	905,573	323,586	3,968	-	-	134,955	-	-	1,368,082	1,781,157	-	-	
Interest and investment income.....	33,811	4,185	3,527	1,454	170	3,169	1,041	(18)	47,339	146,521	-	554	
Other investing activities.....	-	-	-	-	-	-	-	-	-	-	(73)	-	
Net cash provided by investing activities.....	101,662	4,185	3,527	1,454	170	3,169	1,041	(18)	115,190	265,149	(73)	554	
Net increase (decrease) in cash and cash equivalents.....	(234,061)	60,742	13,425	152,194	267,762	(133,784)	(18,562)	25,228	132,944	(144,432)	9,512	8,101	
Cash and cash equivalents-beginning of year.....	1,854,716	545,847	373,880	872,548	141,557	425,690	246,135	92,653	4,553,026	4,697,458	40,131	32,030	
Cash and cash equivalents-end of year.....	\$ 1,620,655	\$ 606,589	\$ 387,305	\$ 1,024,742	\$ 409,319	\$ 291,906	\$ 227,573	\$ 117,881	\$ 4,685,970	\$ 4,553,026	\$ 49,643	\$ 40,131	

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds (Continued)

Year Ended June 30, 2021

(With comparative financial information year ended June 30, 2020)

(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities -	
	Major Funds										Internal Service Funds	
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total		2021	2020
									2021	2020	2021	2020
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Operating income (loss).....	\$ (398,969)	\$ 132,769	\$ (17,700)	\$ (1,109,785)	\$ (230,107)	\$ 35,445	\$ (43,935)	\$ (72,653)	\$ (1,704,935)	\$ (980,842)	\$ 7,030	\$ 1,745
Adjustments for non-cash and other activities:												
Depreciation and amortization.....	331,135	144,033	21,636	201,186	17,791	72,018	23,479	12,288	823,566	803,873	3,716	3,595
Provision for uncollectibles.....	4,640	2,945	4,342	(60)	-	2,201	12,556	-	26,624	26,443	-	-
Write-off of capital assets.....	-	3,810	8,384	-	-	4,203	-	-	16,397	22,250	-	-
Other.....	1,739	-	-	-	-	-	-	-	1,739	1,929	2,246	162
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:												
Receivables, net.....	985	(848)	(14,365)	(2,603)	174,270	(2,222)	(18,041)	9,787	146,963	(83,321)	12,152	5,628
Due from other funds.....	-	93	2,541	-	(104)	148	-	1,003	3,681	2,628	-	-
Inventories.....	1,395	(160)	(215)	3,932	1,437	(181)	84	(472)	5,820	(17,770)	-	-
Other assets.....	1,997	-	(11,482)	7	-	-	76	-	(9,402)	1,837	(2)	-
Accounts payable.....	19,655	5,609	5,981	(1,781)	5,968	(4,762)	575	(200)	31,045	11,517	(2)	8,065
Accrued payroll.....	1,120	1,354	543	5,034	3,236	637	69	984	12,977	15,576	296	410
Accrued vacation and sick leave pay.....	4,672	2,296	1,308	11,700	9,131	2,744	866	2,820	35,537	20,215	1,145	587
Accrued workers' compensation.....	1,609	(346)	(149)	(3,561)	667	531	(33)	(97)	(1,379)	5,606	(134)	(114)
Estimated claims payable.....	-	25,956	(1,247)	15,219	-	822	325	-	41,075	35,399	-	-
Due to other funds.....	-	(674)	(2,063)	(312)	-	-	(377)	-	(3,426)	2,007	(20)	20
Unearned revenues and other liabilities.....	160,189	(3,596)	7,051	(162)	47,620	102	5,124	5,545	221,873	(2,667)	2,244	3,019
Net pension liability and pension related deferred outflows and inflows of resources.....	13,495	10,562	5,238	31,195	24,122	2,970	3,730	1,988	93,300	19,156	(2,597)	(2,378)
Net OPEB liability and OPEB related deferred outflows and inflows of resources.....	19,710	(15,549)	(4,112)	(20,340)	(13,388)	(9,436)	880	(8,883)	(51,118)	25,818	1,127	2,126
Total adjustments.....	562,341	175,485	23,391	239,454	270,750	69,775	29,313	24,763	1,395,272	890,496	20,171	21,120
Net cash provided by (used in) operating activities.....	\$ 163,372	\$ 308,254	\$ 5,691	\$ (870,331)	\$ 40,643	\$ 105,220	\$ (14,622)	\$ (47,890)	\$ (309,663)	\$ (90,346)	\$ 27,201	\$ 22,865
Reconciliation of cash and cash equivalents to the statement of net position:												
Deposits and investments with City Treasury:												
Unrestricted.....	\$ 651,373	\$ 483,827	\$ 370,930	\$ 710,303	\$ 409,202	\$ 281,572	\$ 180,959	\$ -	\$ 3,088,166	\$ 2,731,416	\$ 43,371	\$ 33,807
Restricted.....	948,824	-	12,231	301,733	-	-	41,600	117,859	1,422,247	1,671,025	-	-
Deposits and investments outside City Treasury:												
Unrestricted.....	17,785	301	612	4,222	8	366	5	2	23,301	23,060	-	-
Restricted.....	730,724	122,853	3,843	8,484	109	10,196	5,282	20	881,511	980,642	6,272	6,324
Total deposits and investments.....	2,348,706	606,981	387,616	1,024,742	409,319	292,134	227,846	117,881	5,415,225	5,406,143	49,643	40,131
Less: Investments outside City Treasury not meeting the definition of cash equivalents.....	(728,051)	(392)	(311)	-	-	(228)	(273)	-	(729,255)	(853,117)	-	-
Cash and cash equivalents at end of year on statement of cash flows.....	\$ 1,620,655	\$ 606,589	\$ 387,305	\$ 1,024,742	\$ 409,319	\$ 291,906	\$ 227,573	\$ 117,881	\$ 4,685,970	\$ 4,553,026	\$ 49,643	\$ 40,131
Non-cash capital and related financing activities:												
Acquisition of capital assets on accounts payable and capital lease.....	\$ 109,024	\$ 27,263	\$ 24,450	\$ -	\$ -	\$ 89,982	\$ 900	\$ -	\$ 251,619	\$ 270,766	\$ -	\$ -
Net capitalized interest.....	42,758	19,461	1,083	4,351	-	33,420	128	-	101,201	125,188	-	-
Donated inventory.....	-	-	-	-	2,863	-	-	-	2,863	1,833	-	-
Capital contributions and other noncash capital items.....	36,319	-	-	-	-	-	-	-	36,319	89,597	-	-
Bond refunding through fiscal agent.....	242,990	-	-	-	-	-	-	-	242,990	(112,854)	-	-
Bond proceeds held by fiscal agent.....	-	-	-	-	-	-	-	-	-	258,085	-	-
Commercial paper repaid through fiscal agent.....	230,000	-	-	-	-	-	-	-	230,000	49,410	-	-
Interfund loan.....	-	-	739	-	-	739	-	-	1,478	2,370	-	-

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Position Fiduciary Funds June 30, 2021 (In Thousands)

	Pension, Other Employee and Other Post- Employment Benefit Trust Funds	Private- Purpose Trust Fund	Custodial Funds	
			External Investment Pool	Other Custodial Funds
Assets:				
Deposits and investments with City Treasury.....	\$ 148,760	\$ 178,730	\$ 862,826	\$ 384,811
Deposits and investments outside City Treasury:				
Cash and deposits.....	49,724	-	-	128,269
Short-term investments.....	660,382	-	-	-
Debt securities.....	2,401,733	-	-	-
Equity securities.....	13,124,615	-	-	-
Real assets.....	4,182,366	-	-	-
Private equity and other alternative investments.....	15,800,488	-	-	-
Foreign currency contracts, net.....	69	-	-	-
Invested securities lending collateral.....	770,857	-	-	-
Receivables:				
Employer and employee contributions.....	51,360	-	-	-
Brokers, general partners and others.....	248,940	-	-	-
Federal and state grants and subventions.....	-	404	-	-
Taxes.....	-	-	-	155,925
Interest and other.....	12,949	4,086	498	44
Loans (net of allowance for uncollectible amounts).....	-	1,471	-	-
Other assets.....	2,869	1,685	-	-
Restricted assets:				
Deposits and investments outside City Treasury.....	-	291,978	-	32,497
Capital assets:				
Land and other assets not being depreciated.....	-	4,152	-	-
Total assets.....	<u>37,455,112</u>	<u>482,506</u>	<u>863,324</u>	<u>701,546</u>
Deferred outflows of resources:				
Unamortized loss on refunding of debt.....	-	38,914	-	-
Deferred outflows related to pensions.....	-	6,000	-	-
Deferred outflows related to OPEB.....	2,255	2,569	-	-
Total deferred outflows of resources.....	<u>2,255</u>	<u>47,483</u>	<u>-</u>	<u>-</u>
Liabilities:				
Accounts payable.....	52,047	50,682	1	18,083
Estimated claims payable.....	28,108	-	-	-
Due to the primary government.....	-	3,275	-	-
Custodial obligations to State of California.....	-	-	-	1,198
Taxes payable to other governments.....	-	-	-	387,249
Accrued interest payable.....	-	12,921	-	-
Payable to brokers.....	42,695	-	-	-
Payable to borrowers of securities.....	770,514	-	-	-
Other liabilities.....	3,199	1,027	-	-
Advance from primary government.....	-	2,896	-	-
Long-term obligations.....	-	872,524	-	-
Net pension liability.....	-	32,279	-	-
Net other postemployment benefits (OPEB) liability.....	11,988	2,091	-	-
Total liabilities.....	<u>908,551</u>	<u>977,695</u>	<u>1</u>	<u>406,530</u>
Deferred inflows of resources:				
Deferred inflows related to pensions.....	-	2,520	-	-
Deferred inflows related to OPEB.....	1,972	171	-	-
Total deferred inflows of resources.....	<u>1,972</u>	<u>2,691</u>	<u>-</u>	<u>-</u>
Net position restricted for:				
Pensions.....	35,673,834	-	-	-
Postemployment healthcare benefits.....	747,108	-	-	-
External pool participants.....	-	-	863,323	-
Individuals, organizations, and other governments.....	125,902	(450,397)	-	295,016
Total net position.....	<u>\$ 36,546,844</u>	<u>\$ (450,397)</u>	<u>\$ 863,323</u>	<u>\$ 295,016</u>

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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2021
(In Thousands)

	Pension, Other Employee and Other Post- Employment Benefit Trust Funds	Private- Purpose Trust Fund	Custodial Funds	
			External Investment Pool	Other Custodial Funds
Additions:				
Property taxes.....	\$ -	\$ 128,789	\$ -	\$ 5,760,595
Charges for services.....	-	11,150	-	-
Contributions:				
Employee contributions.....	643,499	-	-	-
Employer contributions.....	1,946,706	-	-	-
Contributions to pooled investments.....	-	-	4,081,448	-
Total contributions.....	2,590,205	139,939	4,081,448	5,760,595
Investment income (expenses):				
Interest.....	59,513	(216)	2,616	2,047
Dividends.....	84,514	-	-	-
Net appreciation in fair value of investments.....	9,499,047	-	-	-
Securities lending income.....	4,059	-	-	-
Total investment income.....	9,647,133	(216)	2,616	2,047
Less investment expenses:				
Other investment expenses.....	(64,090)	-	-	-
Net investment income.....	9,583,043	(216)	2,616	2,047
Custodial additions.....	-	-	-	160,896
Other additions.....	-	4,955	-	-
Total additions, net.....	12,173,248	144,678	4,084,064	5,923,538
Deductions:				
Neighborhood development.....	-	78,816	-	-
Depreciation.....	-	4	-	-
Interest on debt.....	-	41,482	-	-
Benefit payments.....	2,840,188	-	-	-
Refunds of contributions.....	20,254	-	-	-
Distribution from pooled investments.....	-	-	3,513,048	-
Property taxes distributed to other governments.....	-	-	-	5,712,207
Custodial distributions to State.....	-	-	-	7,568
Other custodial deductions.....	-	-	-	188,993
Administrative expenses.....	20,514	13,635	-	-
Total deductions.....	2,880,956	133,937	3,513,048	5,908,768
Change in net position.....	9,292,292	10,741	571,016	14,770
Net position at beginning of year, as previously reported.....	27,254,552	(461,138)	292,307	-
Cumulative effect of accounting change.....	-	-	-	280,246
Net position at beginning of year, as restated.....	27,254,552	(461,138)	292,307	280,246
Net position at end of year.....	\$ 36,546,844	\$ (450,397)	\$ 863,323	\$ 295,016

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

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements

June 30, 2021

(Dollars in Thousands)

(1) THE FINANCIAL REPORTING ENTITY

San Francisco is a city and county chartered by the State of California and as such can exercise the powers as both a city and a county under state law. As required by generally accepted accounting principles, the accompanying financial statements present the City and County of San Francisco (the City or primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

As a government agency, the City is exempt from both federal income taxes and California State franchise taxes.

Blended Component Units

Following is a description of those legally separate component units for which the City is financially accountable that are blended with the primary government because of their individual governance or financial relationships to the City.

San Francisco County Transportation Authority (Transportation Authority) – The voters of the City created the Transportation Authority in 1989 to impose voter-approved sales and use tax of one-half of one percent, for a period not to exceed 20 years, to fund essential traffic and transportation projects. In 2003, the voters approved Proposition K, extending the city-wide one-half of one percent sales tax with a new 30-year plan. A board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the Transportation Authority. The Transportation Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Transportation Authority can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103.

San Francisco City and County Finance Corporation (Finance Corporation) – The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase \$20.0 million (plus 5.0 percent 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 338, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

San Francisco Parking Authority (Parking Authority) – The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (PTC). The PTC consists of five commissioners appointed by the Mayor. Upon creation of the PTC, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the PTC. The staff and fiscal operations of the Parking Authority were also incorporated into the PTC. Beginning on July 1, 2002, the responsibility for overseeing the operations of the PTC became the responsibility of the Municipal Transportation Agency (SFMTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the SFMTA Chief Financial Officer at 1 South Van Ness Avenue, 3rd Floor, San Francisco, CA 94103.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2021
(Dollars in Thousands)

Discretely Presented Component Unit

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

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

Fiduciary Component Units

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

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

In order to facilitate construction and rehabilitation in the City, seven Community Facilities Districts (CFDs) were formed by the former Agency and Successor Agency. The Successor Agency can impose its will on the CFDs but does not have a financial benefit or burden from the CFDs. The CFDs are fiduciary component units of the Successor Agency and financial activities of the CFDs are included as custodial funds of the City.

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

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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allocated revenues in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund). Complete financial statements can be obtained from the Successor Agency's finance department at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

Community Facilities Districts and Special Tax Districts – A Community Facilities District (CFD) is a legally constituted governmental entity formed under the State's Mello-Roos law and with approval of the Board of Supervisors. A Special Tax District (STD) is established pursuant to the San Francisco Special Tax Financing Law, which incorporates the Mello-Roos law. Several CFDs and STDs have been established for the sole purpose of financing facilities and services. Although there is no financial benefit or burden relation between the City and a CFD or STD, the Board of Supervisors acts as the legislative body as it does for the City and is able to impose its will to authorize the levy of special taxes and issuance of special tax debts, as well as to appoint, hire, reassign, or dismiss City employees who administrate the CFD or STD. CFDs and STDs are fiduciary component units of the City because assets are held by the City for the benefit of the CFD or STD. The combined activities of all CFDs and STDs are presented as a custodial fund. Separate financial statements are not prepared for CFDs and STDs. Further information can be obtained from their administrative offices at City Hall, Room 338, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

Non-Disclosed Organizations

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Government-wide and fund financial statements

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

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

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

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2021
(Dollars in Thousands)

The basic financial statements include certain prior year summarized comparative information. This information is presented only to facilitate financial analysis and is not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended June 30, 2020, from which the summarized information was derived.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

Property taxes, other local taxes, grants and subventions, licenses, charges for services, rents and concessions, and interest and investment income 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 (Hetch Hetchy) and CleanPowerSF. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity. CleanPowerSF aggregates the buying power of customers in San Francisco to purchase renewable energy.
- The **Municipal Transportation Agency Fund** accounts for the activities of the Municipal Transportation Agency (SFMTA). The SFMTA was established by Proposition E, passed by the City's voters in November 1999. The SFMTA includes the San Francisco Municipal Railway (Muni) and the operations of Sustainable Streets, which includes the Parking Authority. Muni was established in 1912 and is responsible for the operations of the City's public transportation system.

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Notes to Basic Financial Statements (Continued)
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Sustainable Streets is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. Sustainable Streets is a separate department of the SFMTA. The parking garages fund accounts for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.

- The **General Hospital Medical Center Fund** accounts for the activities of the San Francisco General Hospital (SFGH), a City-owned acute care hospital.
- The **San Francisco Wastewater Enterprise Fund** was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue \$240.0 million in bonds for the purpose of acquiring, constructing, improving, and financing improvements to the City's municipal sewage treatment and disposal system.
- The **Port of San Francisco Fund** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.
- The **Laguna Honda Hospital Fund** accounts for the activities of Laguna Honda Hospital (LHH), the City-owned skilled nursing facility, which specializes in serving elderly and disabled residents.

Additionally, the City reports the following fund types:

- The **Debt Service Funds** account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.
- The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.
- The **Capital Projects Funds** are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.
- The **Permanent Fund** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.
- The **Internal Service Funds** account for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis. Internal Service Funds account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.
- The **Pension, Other Employee and Other Postemployment Benefit Trust Funds** reflect the activities of the Employees' Retirement System (Retirement System), the Health Service System and the Retiree Health Care Trust Fund. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirement benefits, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries. The Retiree Health Care Trust Fund currently accounts for other postemployment benefit contributions from the City and the San Francisco Community College District, together with the earnings and profits from investments.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2021
(Dollars in Thousands)

- The **Private-Purpose Trust Fund** accounts for the custodial responsibilities that are assigned to the Successor Agency with the passage of the Redevelopment Dissolution Law.
- The **Custodial Funds** account for the external portion of the Treasurer's Office investment pool and resources held by the City in a custodial capacity on behalf of: the State of California and other governmental agencies; individuals; and human welfare, community health, and transportation programs. The external portion of the Treasurer's Office investment pool represents funds held for the San Francisco Community College District, San Francisco Unified School District, and the Trial Courts of the State of California.

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

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

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

(c) Deposits and Investments

Investment in the Treasurer's Pool

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

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

The San Francisco Unified School District (School District), San Francisco Community College District (Community College District), and the City are involuntary participants in the City's investment pool. As of June 30, 2021, involuntary participants accounted for approximately 97.7 percent of the pool. Voluntary participants accounted for 2.3 percent of the pool. Further, the School District, Community College District, and the Trial Courts of the State of California are external participants of the City's pool. At June 30, 2021, \$862.8 million was held on behalf of these external participants. The total percentage share of the City's pool that relates to these three external participants is 6.4 percent. Internal participants accounted for 93.6 percent of the pool.

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

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

Retirement System – Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Securities that do not have an established market are reported at estimated fair value derived from third-party pricing services. Purchases and sales of investments are recorded on a trade date basis.

The fair values of the partnership interests, which include private equity, real assets, private credit, and some public equity investments are based on net asset values (NAV) provided by the general partners and investment managers.

The Absolute Return Program invests in limited partnerships and other alternative investment vehicles. The most common investment strategies include, but are not limited to equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, co-investments and commodities. These investments are valued using their respective NAV and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are typically valued on a monthly basis by each fund's independent administrator and for certain illiquid investments, where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions which can impede the timely return of capital. The valuation techniques vary based upon investment type but are predominantly derived from observed market prices.

San Francisco International Airport – The Airport has entered into certain derivative instruments, which it values at fair value, in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 72, *Fair Value Measurement and Application*. The Airport applies hedge accounting for changes in the fair value of hedging derivative instruments, in accordance with GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. Under hedge accounting, if the derivatives are determined to be effective hedges, the changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the statement of net position, otherwise changes in fair value are recorded within the investment revenue classification.

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

Investment Income

Income from pooled investments is allocated at month end to the individual funds or external participants based on the fund or participant's average daily cash balance in relation to total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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General Fund. On a generally accepted accounting principles (GAAP) basis, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental and internal service funds.

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

Interest income related to certain funds in fiduciary activities that are recorded in the General Fund on a budget basis is recorded as other income instead of as a transfer on the GAAP basis.

(d) Loans Receivable

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issue loans to qualified applicants. In addition, the Department of Building Inspection manages other receivables from organizations. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2021, it was determined that \$1,973.0 million of the \$2,132.4 million loan portfolio is not expected to be ultimately collected.

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

(e) Inventories

Inventories recorded in the governmental funds consist of personal protective equipment and supplies related to the COVID-19 pandemic. Inventories recorded in the proprietary funds primarily consist of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting.

(f) Property Held for Resale

Property held for resale includes both residential and commercial property and is recorded as other assets at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use. Property held for resale may, during the period it is held by the City, generate rental income, which is recognized as it becomes due and is considered collectible.

(g) Capital Assets

Capital assets, which include land, facilities and improvements, machinery and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary and private-purpose trust funds. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than \$5 and have an estimated life that extends beyond a single reporting period or more than a year. Intangible assets have a capitalization threshold of \$100. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the

CITY AND COUNTY OF SAN FRANCISCO
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construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds of tax-exempt debt over the same period. Amortization of assets acquired under capital leases is included in depreciation and amortization.

Facilities and improvements, infrastructure, machinery and equipment, easements, and intangible assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Facilities and improvements	15 to 175
Infrastructure	15 to 70
Machinery and equipment	2 to 75
Intangible assets	Varies with type

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

(h) Accrued Vacation and Sick Leave Pay

Vacation pay, which may be accumulated up to ten weeks depending on an employee's length of service, is payable upon termination. Sick leave may be accumulated up to six months. Unused amounts accumulated prior to December 6, 1978, are vested and payable upon termination of employment by retirement or disability caused by industrial accident or death.

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

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

In the government-wide financial statements, the proprietary fund type and fiduciary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund or fiduciary fund statement of net position. Bond issuance costs related to prepaid insurance costs, bond premiums and discounts for San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, SFMTA, and San Francisco Wastewater Enterprise are amortized over the life of the bonds using the effective interest method. The remaining bond prepaid insurance costs, bond premiums and discounts are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

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(j) Fund Equity

Governmental Fund Balance

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in one of five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The five fund balance classifications are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, such as prepaid amounts, as well as certain long-term receivables that would otherwise be classified as unassigned.
- *Restricted* – includes amounts that can only be used for specific purposes due to constraints imposed by external resource providers, by the City's Charter, or by enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes amounts that can only be used for specific purposes pursuant to an ordinance passed by the Board of Supervisors and signed by the Mayor. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned* – includes amounts that are not classified as nonspendable, restricted, or committed, but are intended to be used by the City for specific purposes. Intent is expressed by legislation or by action of the Board of Supervisors or the City Controller to which legislation has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

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

Encumbrances

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year end are recorded as part of restricted or assigned fund balance.

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt, including debt related deferred outflows and inflows of resources, that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the City, not restricted for any project or other purpose.

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(k) Interfund Transfers

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

- Charges for services are recorded as revenues of the performing fund and expenditures/expenses of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.
- Reimbursements for expenditures, initially made by one fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

(l) Refunding of Debt

In governmental and business-type activities and proprietary and fiduciary funds, losses or gains from advance refundings are recorded as deferred outflows of resources and deferred inflows of resources, respectively, and amortized into expense.

(m) Pollution Remediation Obligations

Pollution remediation obligations are measured at their current value using a cost-accumulation approach, based on the pollution remediation outlays expected to be incurred to settle those obligations. Each obligation or obligating event is measured as the sum of probability-weighted amounts in a range of possible estimated amounts. Some estimates of ranges of possible cash flows may be limited to a few discrete scenarios or a single scenario, such as the amount specified in a contract for pollution remediation services.

(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) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SFERS and the California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

(p) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Trust Fund (RHCTF) and California Employers' Retiree Benefit Trust Fund Program (CERBT) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

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

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

(r) Deferred Outflows and Inflows of Resources

The City records deferred outflows or inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements for consumption or acquisition of net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

In governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year end. In government-wide financial statements, deferred outflows and inflows of resources are recorded for unamortized losses and gains on refunding of debt, deferred outflows and inflows of resources related to pensions and OPEB, and deferred outflows of resources on derivative instruments.

(s) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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(3) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Total fund balances of the City's governmental funds, \$6,277,199 differs from net position of governmental activities, \$3,759,197 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheet.

	Total Governmental Funds	Long-term Assets, Liabilities ⁽¹⁾	Internal Service Funds ⁽²⁾	Reclassi- fications and Eliminations	Statement of Net Position Totals
Assets					
Deposits and investments with City Treasury.....	\$ 7,281,724	\$ -	\$ 43,371	\$ -	\$ 7,325,095
Deposits and investments outside City Treasury.....	344,163	-	6,272	-	350,435
Receivables, net					
Property taxes and penalties.....	184,847	-	-	-	184,847
Other local taxes.....	380,617	-	-	-	380,617
Federal and state grants and subventions.....	347,874	-	-	-	347,874
Charges for services.....	123,661	-	230	-	123,891
Interest and other.....	8,914	-	352	-	9,266
Due from other funds.....	16,606	-	-	(16,606)	-
Due from component units.....	14,180	-	-	-	14,180
Advance to component unit.....	2,896	-	-	-	2,896
Loans receivable, net.....	159,426	-	-	-	159,426
Inventories.....	37,954	-	-	-	37,954
Capital assets, net.....	-	6,818,309	13,197	-	6,831,506
Other assets.....	57,933	334	2	-	58,269
Total assets.....	<u>8,960,795</u>	<u>6,818,643</u>	<u>63,424</u>	<u>(16,606)</u>	<u>15,826,256</u>
Deferred outflows of resources					
Unamortized loss on refunding of debt.....	-	6,982	787	-	7,769
Deferred outflows related to pensions.....	-	893,681	18,872	-	912,553
Deferred outflows related to OPEB.....	-	324,720	7,689	-	332,409
Total deferred outflows of resources.....	<u>-</u>	<u>1,225,383</u>	<u>27,348</u>	<u>-</u>	<u>1,252,731</u>
Liabilities					
Accounts payable.....	492,907	-	10,292	-	503,199
Accrued payroll.....	159,362	-	2,956	-	162,318
Accrued vacation and sick leave pay.....	-	245,087	5,317	-	250,404
Accrued workers' compensation.....	-	304,373	1,449	-	305,822
Estimated claims payable.....	-	204,853	-	-	204,853
Accrued interest payable.....	-	21,799	793	-	22,592
Unearned grant and subvention revenues.....	169,560	-	-	-	169,560
Due to other funds.....	66,578	-	-	(16,606)	49,972
Unearned revenues and other liabilities.....	1,191,960	1,124	34	-	1,193,118
Bonds, loans, capital leases, and other payables.....	18,760	4,323,414	114,628	-	4,456,802
Net pension liability.....	-	3,330,633	55,173	-	3,385,806
Net OPEB liability.....	-	2,062,819	47,383	-	2,110,202
Total liabilities.....	<u>2,099,127</u>	<u>10,494,102</u>	<u>238,025</u>	<u>(16,606)</u>	<u>12,814,648</u>
Deferred inflows of resources					
Unavailable revenue.....	584,469	(584,469)	-	-	-
Unamortized gain on refunding of debt.....	-	31,557	278	-	31,835
Deferred inflows related to pensions.....	-	109,553	1,878	-	111,431
Deferred inflows related to OPEB.....	-	353,600	8,276	-	361,876
Total deferred inflows of resources.....	<u>584,469</u>	<u>(89,759)</u>	<u>10,432</u>	<u>-</u>	<u>505,142</u>
Fund balances/ net position					
Total fund balances/ net position.....	<u>\$ 6,277,199</u>	<u>\$ (2,360,317)</u>	<u>\$ (157,685)</u>	<u>\$ -</u>	<u>\$ 3,759,197</u>

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

Cost of capital assets	\$ 9,221,871
Accumulated depreciation	<u>(2,403,562)</u>
	<u>\$ 6,818,309</u>

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

Accrued vacation and sick leave pay	\$ (245,087)
Accrued workers' compensation.....	(304,373)
Estimated claims payable	(204,853)
Unearned revenues and other liabilities	(1,124)
Bonds, loans, capital leases, and other payables	<u>(4,323,414)</u>
	<u>\$ (5,078,851)</u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. \$ (21,799)

Deferred outflows (inflows) of resources related to debt refundings in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

Unamortized loss on refunding of debt.....	\$ 6,982
Unamortized gain on refunding of debt	<u>(31,557)</u>
	<u>\$ (24,575)</u>

Net pension liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.

Net pension liability	\$(3,330,633)
Deferred outflows of resources related to pensions	893,681
Deferred inflows of resources related to pensions	<u>(109,553)</u>
	<u>\$ (2,546,505)</u>

Net OPEB liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to OPEB are not financial resources, and therefore, are not reported in the governmental funds.

Net OPEB asset	\$ 334
Net OPEB liability	(2,062,819)
Deferred outflows of resources related to OPEB	324,720
Deferred inflows of resources related to OPEB.....	<u>(353,600)</u>
	<u>\$ (2,091,365)</u>

CITY AND COUNTY OF SAN FRANCISCO
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Because the focus of governmental funds is on the availability of resources, some assets will not be available to pay for current period expenditures and thus are not included in fund balance.

Revenue not collected within 60 days of the end of the current fiscal period\$ 584,469

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

Net position before adjustments	\$ (49,295)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(110,855)
Unearned revenues and other liabilities	<u>2,465</u>
	<u>\$ (157,685)</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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(b) Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds, \$1,201,772, differs from the change in net position for governmental activities, \$590,024, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

	Total Governmental Funds	Long-term Revenues/ Expenses (3)	Capital- related Items (4)	Internal Service Funds (5)	Long-term Debt Transactions (6)	Statement of Activities Totals
Revenues						
Property taxes.....	\$ 2,964,753	\$ 7,314	\$ -	\$ -	\$ -	\$ 2,972,067
Business taxes.....	1,894,604	-	-	-	-	1,894,604
Sales and use tax.....	233,393	-	-	-	-	233,393
Hotel room tax.....	37,698	-	-	-	-	37,698
Utility users tax.....	81,367	-	-	-	-	81,367
Parking tax.....	47,555	-	-	-	-	47,555
Real property transfer tax.....	344,661	23	-	-	-	344,684
Other local taxes.....	61,613	-	-	-	-	61,613
Licenses, permits and franchises.....	27,186	7,031	-	-	-	34,217
Fines, forfeitures, and penalties.....	74,273	(1,018)	-	-	-	73,255
Interest and investment income.....	10,688	-	-	-	-	10,688
Rents and concessions.....	76,313	546	-	-	-	76,859
Intergovernmental:						
Federal.....	907,362	(7,499)	-	-	-	899,863
State.....	1,105,834	4,613	-	58	-	1,110,505
Other.....	26,890	(1,257)	-	-	-	25,633
Charges for services.....	376,113	(4,789)	-	-	-	371,324
Other.....	182,826	17,805	-	1,939	-	202,570
Total revenues.....	<u>8,453,129</u>	<u>22,769</u>	<u>-</u>	<u>1,997</u>	<u>-</u>	<u>8,477,895</u>
Expenditures/ Expenses						
Current:						
Public protection.....	1,576,456	147,107	21,790	(1,250)	-	1,744,103
Public works, transportation and commerce.....	458,154	45,300	26,633	-	-	530,087
Human welfare and neighborhood development.....	2,339,937	8,273	36,783	-	-	2,384,993
Community health.....	1,170,730	35,048	35,504	-	-	1,241,282
Culture and recreation.....	417,106	11,820	51,756	(13,431)	-	467,251
General administration and finance.....	395,792	44,602	35,034	-	-	475,428
General City responsibilities.....	113,913	(6,806)	-	(7,030)	-	100,077
Debt service:						
Principal retirement.....	356,986	-	-	-	(356,986)	-
Interest and other fiscal charges.....	154,958	-	-	1,994	(23,368)	133,584
Bond issuance costs.....	7,864	-	-	-	-	7,864
Payment to refunded bond escrow agent.....	7,167	-	-	-	(4,281)	2,886
Capital outlay.....	275,638	-	(275,638)	-	-	-
Total expenditures.....	<u>7,274,701</u>	<u>285,344</u>	<u>(68,138)</u>	<u>(19,717)</u>	<u>(384,635)</u>	<u>7,087,555</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>1,178,428</u>	<u>(262,575)</u>	<u>68,138</u>	<u>21,714</u>	<u>384,635</u>	<u>1,390,340</u>
Other financing sources (uses) / changes in net position						
Net transfers in (out).....	(862,039)	-	-	73	-	(861,966)
Issuance of bonds:						
Face value of bonds issued.....	985,535	-	-	-	(985,535)	-
Premium on issuance of bonds.....	93,427	-	-	-	(93,427)	-
Payment to refunded bond escrow agent.....	(193,579)	-	-	-	193,579	-
Total other financing sources (uses).....	<u>23,344</u>	<u>-</u>	<u>-</u>	<u>73</u>	<u>(885,383)</u>	<u>(861,966)</u>
Capital contributions.....	-	-	61,650	-	-	61,650
Net change for the year.....	<u>\$ 1,201,772</u>	<u>\$ (262,575)</u>	<u>\$ 129,788</u>	<u>\$ 21,787</u>	<u>\$ (500,748)</u>	<u>\$ 590,024</u>

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- (3) Property taxes are recognized as revenues in the period the amount becomes available. This is the current period amount by which the deferred inflows of resources increased in the governmental funds. \$ 7,314

Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds. 15,455
\$ 22,769

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources. \$ (494,202)

Changes to net pension liability and pension related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds. 95,951

Changes to net OPEB asset/liability and OPEB related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds. 113,131

Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds. (224)
\$ (285,344)

- (4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year and the loss on disposal of capital assets. In addition, contributions of capital assets are not financial resources in the governmental funds but are reported as revenues in the statement of activities.

Capital expenditures	\$ 378,801
Depreciation expense	(230,614)
Loss on disposal of capital assets	(8,844)
Capital contributions	61,650
Write off of construction in progress	(71,205)
Difference	<u>\$ 129,788</u>

- (5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. \$ 21,787

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- (6) Bond premiums are a source of funds in the governmental funds when the bonds are issued, but are capitalized in the statement of net position. This is the amount of premiums capitalized during the current period. \$ (93,427)

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

Principal payments made	\$ 356,986
Payments to escrow for refunded debt.....	<u>197,860</u>
	<u>554,846</u>

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Proceeds were received from:

General obligation bonds	\$ (700,570)
Refunding general obligation bonds	(91,230)
Certificates of participation.....	(123,095)
Refunding certificates of participation	<u>(70,640)</u>
	<u>(985,535)</u>
	<u>\$ (430,689)</u>

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, notes payable and capital leases, and (2) amortization of bond premiums and refunding losses and gains are not expended within the fund statements.

Increase in accrued interest	\$ (1,023)
Gain on refundings	(15,818)
Amortization of bond premiums.....	41,552
Amortization of bond refunding losses and gains.....	<u>(1,343)</u>
	<u>\$ 23,368</u>

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(4) EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2021, the City implemented the following accounting standards:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City evaluated all funds and activities in accordance with the statement and determined that activities previously treated as agency funds should now be reported in the governmental funds or custodial funds. As a result, the City restated its fund balance and net position as of July 1, 2020 as follows:

	Net Position/Fund Balance at Beginning of Year		
	As Previously Reported	Change in Accounting Principle	As Restated
Primary Government:			
Governmental Activities.....	\$ 3,133,622	\$ 35,551	\$ 3,169,173
Total Business Type Activities.....	6,964,973	-	6,964,973
Total Primary Government.....	<u>\$ 10,098,595</u>	<u>\$ 35,551</u>	<u>\$ 10,134,146</u>
Governmental Funds:			
General Fund.....	\$ 2,685,922	\$ 35,397	\$ 2,721,319
Other Governmental Funds.....	2,353,954	154	2,354,108
Total Governmental Funds.....	<u>\$ 5,039,876</u>	<u>\$ 35,551</u>	<u>\$ 5,075,427</u>
Custodial Funds.....	<u>\$ -</u>	<u>\$ 280,246</u>	<u>\$ 280,246</u>

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. GASB Statement No. 90 establishes standards for reporting a government's majority equity interest in a legally separate organization. The new standard is effective for periods beginning after December 15, 2019. Application of this statement did not have a significant impact on the City for the year ended June 30, 2021.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. GASB Statement No. 93 addresses the accounting and financial reporting effects of replacement of interbank offering rates with other reference rates in agreements which reference an interbank offering rate. Certain provisions of this new standard are effective for periods beginning after June 15, 2020. Application of this statement did not have a significant impact on the City for the year ended June 30, 2021. Provisions of this statement that relate to the removal of the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and to lease modifications under GASB Statement No. 87 are not effective for the year ended June 30, 2021. The City is currently analyzing its accounting practices to determine the impact of these provisions.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. GASB Statement No. 97 clarifies the criteria used in determining whether a fiduciary component unit exists and clarifies financial reporting for Internal Revenue Code section 457 deferred compensation plans. The new standard is effective for periods beginning after June 15, 2021. Early application of this statement did not have a significant impact on the City for the year ended June 30, 2021.

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In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. GASB Statement No. 98 updates existing accounting standards by changing the name of the Comprehensive Annual Financial Report to the Annual Comprehensive Financial Report. The new standard is effective for periods ending after December 15, 2021. Early application of this statement did not have a significant impact on the City for the year ended June 30, 2021.

In addition, the City is currently analyzing its accounting practices to determine the potential impact of the following pronouncements:

In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease assets, liabilities, and deferred inflows that currently are not reported. The new standard is effective for periods beginning after June 15, 2021. Application of this statement is effective for the City's year ending June 30, 2022.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and no longer included in the historical cost of capital assets. The new standard is effective for periods beginning after December 15, 2020. Application of this statement is effective for the City's year ending June 30, 2022.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. The new standard is effective for periods beginning after December 15, 2021. Application of this statement is effective for the City's year ending June 30, 2023.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. GASB Statement No. 92 addresses a variety of topics related to postemployment benefits and other issues. The new standard is effective for periods beginning after June 15, 2021. Application of this statement is effective for the City's year ending June 30, 2022.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. GASB Statement No. 94 establishes standards for public-private and public-public partnerships (PPPs) and availability payment arrangements. A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An availability payment arrangement is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The new standard requires reporting of related assets and deferred inflows that currently are not reported and is effective for periods beginning after June 15, 2022. Application of this statement is effective for the City's year ending June 30, 2023.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 defines such arrangements as contracts that convey control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The standard clarifies measurement and recognition of capitalizable costs, intangible assets, and subscription liabilities for such arrangements and also requires additional disclosures related to such arrangements. The new standard is effective for periods beginning after June 15, 2022. Application of this statement is effective for the City's year ending June 30, 2023.

CITY AND COUNTY OF SAN FRANCISCO
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(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

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

	Primary Government			
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Deposits and investments with				
City Treasury.....	\$ 7,325,095	\$ 3,088,166	\$ 1,575,127	\$ 11,988,388
Deposits and investments outside				
City Treasury.....	344,163	23,301	37,118,503	37,485,967
Restricted assets:				
Deposits and investments with				
City Treasury.....	-	1,422,247	-	1,422,247
Deposits and investments outside				
City Treasury.....	6,272	881,511	324,475	1,212,258
Total deposits & investments	<u>\$ 7,675,530</u>	<u>\$ 5,415,225</u>	<u>\$ 39,018,105</u>	<u>\$ 52,108,860</u>
Cash and deposits.....				\$ 1,219,240
Investments.....				50,889,620
Total deposits and investments.....				<u>\$ 52,108,860</u>

(b) Investment Policies

Treasurer's Pool

The City's investment policy addresses the Treasurer's safekeeping and custody practices with financial institutions in which the City deposits funds, types of permitted investment instruments, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The objectives of the policy, in order of priority, are safety, liquidity, and earning a market rate of return on public funds. The City has established a Treasury Oversight Committee (Oversight Committee) as defined in the City Administrative Code section 10.80-3, comprised of various City officials, representatives of agencies with large cash balances, and members of the public, to monitor and review the management of public funds maintained in the investment pool in accordance with Sections 27130 to 27137 of the California Government Code. The Treasurer prepares and submits an investment report to the Mayor, the Board of Supervisors, members of the Oversight Committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

The investment policy places maturity limits based on the type of security. Investments held by the Treasurer during the year did not include repurchase agreements or reverse repurchase agreements. The table below identifies the investment types that are authorized by the City's investment policy dated May 2021.

The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk.

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Notes to Basic Financial Statements (Continued)
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Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasuries	5 years	100%	100%
Federal Agencies	5 years	100%	100%
State and Local Government Agency Obligations	5 years	20% *	5% *
Public Time Deposits	13 months *	None	None
Negotiable Certificates of Deposit/Yankee Certificates of Deposit	5 years	30%	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25% *	10%
Medium Term Notes	4-5 years*	5%*	10%*
	3-4 years*	5%*	10%*
	2-3 years*	5%*	10%*
	Up to 2 years*	Up to 30%	10%*
Repurchase Agreements (Government Securities)	1 year	None	None
Repurchase Agreements (Securities permitted by CA Government Code, Sections 53601 and 53635)	1 year	10%	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	\$75 million *
Money Market (Institutional Government Funds)	N/A	20%	N/A
Supranationals	5 years	30%	None
State of California Local Agency Investment Fund (LAIF)	N/A	Statutory	None

* Represents restriction on which the City's investment policy is more restrictive than the California Government Code.

The Treasurer also holds for safekeeping bequests, trust funds, and lease deposits for other City departments. The bequests and trust funds consist of stocks and debentures. Those instruments are valued at par, cost, or fair value at the time of donation.

Other Funds

Other funds consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These funds are invested either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with grant agreements and may be restricted for the issuance of loans.

Employees' Retirement System

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

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

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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The investment policy permits investments in domestic and international debt and equity securities, securities lending, foreign currency contracts, derivative instruments, private equity, real assets, private credit, and absolute return investments, which include investments in a variety of commingled partnership vehicles. The Retirement Board's asset allocation policies for the year ended June 30, 2021, are as follows:

Asset Class	Target Allocation through October 2020	Target Allocation since November 2020
Global Equity	31.0%	37.0%
Treasuries	6.0%	8.0%
Liquid Credit	3.0%	5.0%
Private Credit	10.0%	10.0%
Private Equity	18.0%	23.0%
Real Assets	17.0%	10.0%
Absolute Return	15.0%	10.0%
Leverage	0.0%	-3.0%
	<u>100.0%</u>	<u>100.0%</u>

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines. In addition, the Retirement System's securities lending cash collateral separately managed account is authorized to use repurchase arrangements. The Retirement System maintains its operating fund cash in the Treasurer's Pool.

Retiree Health Care Trust Fund (RHCTF)

The RHCTF maintains cash in the Treasurer's Pool. The RHCTF's investments outside of the City Treasury are invested pursuant to investment policy guidelines as established by the RHCTF Board. The objective of the policy is to manage fund assets so as to achieve the highest, reasonably prudent real return possible. The RHCTF allocates its investments among numerous investment managers and in accordance with the investment policy approved by the RHCTF Board.

At its May 2021 Board Meeting, for the Community College District's Sub-Trust, the RHCTF Board anticipated that illiquid investments will not be appropriate given the portfolio liquidity needs. Therefore, the RHCTF Board approved a new separate allocation that offers a higher liquidity, lower risk levels profile for the Community College.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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The RHCTF Board has established percentage guidelines for types of investments to ensure the portfolio is diversified, as follows:

Asset Class	Target Allocation From October 2019 to April 2021
Equities	
U.S. Equity	31.0%
Developed Market Equity (Non-U.S.)	15.0%
Emerging Market Equity	13.0%
Credit	
Bank Loans/ High Yield	6.0%
Emerging Market Bonds	3.0%
Rate Sensitive	
Short-Term Treasury Inflation-Protected Securities (TIPS)	4.0%
Investment Grade Bonds	9.0%
Long-Term Government Bonds	4.0%
Private Markets	
Private Equity	5.0%
Private Core Real Estate	5.0%
Risk Mitigating Strategies	
Global Macro	5.0%
	<u>100.0%</u>

Asset Class	Target Allocation Since May 2021	
	City and County of San Francisco Sub-Trust	Community College District Sub-Trust
Equities		
U.S. Equity Large Cap	28.0%	31.0%
U.S. Equity Small Cap	3.0%	3.0%
Developed Market Equity (Non-U.S.)	15.0%	18.0%
Emerging Market Equity	13.0%	16.0%
Credit		
Bank Loans/ High Yield Bonds	6.0%	6.0%
Emerging Market Bonds	3.0%	3.0%
Rate Sensitive		
Short-Term Treasury Inflation-Protected Securities (TIPS)	4.0%	3.0%
Investment Grade Bonds	9.0%	15.0%
Long-Term Government Bonds	4.0%	5.0%
Private Markets		
Private Equity	5.0%	-
Private Core Real Estate	5.0%	-
Risk Mitigating Strategies		
Global Macro	5.0%	-
	<u>100.0%</u>	<u>100.0%</u>

CITY AND COUNTY OF SAN FRANCISCO
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(c) Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using Level 3 inputs). The inputs or methodology used for valuing securities are not an indication of risk associated with investing in those securities.

The following is a summary of inputs used in valuing the City's investments as of June 30, 2021:

		Fair Value Measurements Using		
	Fair Value 6/30/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Primary Government:				
Investments in City Treasury:				
U.S. Treasuries	\$ 5,421,213	\$ 5,421,213	\$ -	\$ -
U.S. Agencies - Discount	489,606	-	489,606	-
U.S. Agencies - Coupon (no call option)	3,225,513	-	3,225,513	-
Negotiable Certificates of Deposits	1,905,907	-	1,905,907	-
Supranationals	467,070	-	467,070	-
Public Time Deposits	40,000 *	-	-	-
Money Market Mutual Funds	1,103,034 *	-	-	-
Subtotal Investments in City Treasury	12,652,343	\$ 5,421,213	\$ 6,088,096	\$ -
Investments Outside City Treasury:				
(Governmental and Business-Type)				
U.S. Treasury Notes	356,686	\$ 356,686	\$ -	\$ -
U.S. Agencies	261,998	-	261,998	-
State and Local Agencies	4,466	-	4,466	-
Corporate Notes	550	-	550	-
Supranationals	5,077	-	5,077	-
Negotiable Certificates of Deposit	2,017	-	2,017	-
Commercial Paper	1,349 *	-	-	-
Money Market Mutual Funds	664,351 *	-	-	-
Certificates of Deposit	273 *	-	-	-
Subtotal Investments Outside City Treasury	1,296,767	\$ 356,686	\$ 274,108	\$ -

* Not subject to fair value hierarchy

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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		Fair Value Measurements Using		
	Fair Value 6/30/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Employees' Retirement System Investments				
Short-Term Investments	\$ 644,979	\$ 606,433	\$ -	\$ 38,546
Debt Securities:				
U.S. Government and Agency Securities	1,090,034	1,080,220	9,814	-
Other Debt Securities	951,706	178,928	656,576	116,202
Equity Securities:				
Domestic Equity	3,887,573	3,881,652	3,635	2,286
International Equity	2,905,789	2,905,142	647	-
Foreign Currency Contracts, net	69	-	-	69
Invested Securities Lending Collateral	770,857	-	417,710	353,147
Subtotal	10,251,007	\$ 8,652,375	\$ 1,088,382	\$ 510,250
Investments measured at the net asset value (NAV)				
Short-Term Investments	6,525			
Fixed Income invested in:				
Other Debt Securities	142,340			
Equity Funds invested in:				
Domestic	5,239,176			
International	624,792			
Real Assets	4,182,366			
Private Credit	1,818,240			
Private Equity	10,280,363			
Absolute Return	3,656,388			
Total investments measured at the NAV	25,950,190			
Subtotal Investments in Employees' Retirement System	36,201,197			
Retiree Health Care Trust Investments measured at the NAV				
Short-Term Investments	8,878			
Fixed Income:				
Debt Index Funds	217,653			
Equities:				
Domestic	243,911			
International	223,374			
Private Equity	9,825			
Risk Mitigating Strategies	35,672			
Subtotal Investments in Retiree Health Care Trust	739,313			
Total Investments	\$ 50,889,620			

Investments Held in City Treasury

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

U.S. Agencies, Negotiable Certificates of Deposit and Supranationals are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2 of the fair value hierarchy.

Money Market Funds have maturities of one year or less from fiscal year end and are not subject to GASB Statement No. 72. Public Time Deposits are measured at cost.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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Investments Held Outside City Treasury

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy. U.S. Agencies, State and Local Agencies, Corporate Notes, Supranationals, and Negotiable Certificates of Deposit are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2. Commercial Paper, Money Market Funds, and Certificates of Deposit are not subject to the fair value hierarchy.

Employees' Retirement System Investments

Investments at Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In some cases, a valuation technique may have multiple inputs used to measure fair value, and each input might fall into a different level of the fair value hierarchy. The level in the fair value hierarchy within which a fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement. The prices used in determining the fair value hierarchy are obtained from various pricing sources by the Retirement System's custodian bank.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Debt securities including short-term instruments are priced based on evaluated prices. Such evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities. For equity securities not traded on an active exchange, or if the closing price is not available, corroborated indicative quotes obtained from pricing vendors are generally used. Debt and equity securities classified in Level 3 of the fair value hierarchy are securities whose stated market prices are unobservable by the market place. Many of these securities are priced using uncorroborated indicative quotes, adjusted prices based on inputs from different sources, or evaluated prices using unobservable inputs, such as extrapolated data, proprietary models, and indicative quotes from pricing vendors.

Investments at Net Asset Value (NAV)

The equity and debt funds are commingled funds that are priced at net asset value by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. The NAV of an open-end fund is its price.

The fair value of the Retirement System's investments in private equity, real assets, private credit, absolute return, and some public equity investments are based on NAV provided by the investment managers and general partners (hereinafter collectively referred to as the "General Partners"). Such value generally represents the Retirement System's proportionate share of the net assets of the limited partnerships. The partnership financial statements are audited annually as of December 31 and the NAV is adjusted by additional contributions to and distributions from the partnership, the Retirement System's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partners.

The General Partners may use one or more valuation methodologies outlined in FASB ASC 820, *Fair Value Measurement*. For some investments, little market activity may exist. The General Partners' determination of fair value is then based on the best information available in the circumstances and may involve subjective assumptions and estimates, including the General Partners' assessment of the information that market participants would use in valuing the investments. The General Partners may take into consideration a combination of internal and external factors, including but not limited to,

CITY AND COUNTY OF SAN FRANCISCO
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appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

The values provided by the General Partners may differ significantly from the values that would have been used had a ready market existed for these investments.

Private credit investment strategies include capital preservation, return maximization and opportunistic. Investments in the asset class are achieved through commingled funds and separate account partnerships. Private credit investments are mostly illiquid and distributions are received over the life of the investments. These investments are not typically redeemed, nor do they have set redemption schedules. There are fourteen public equity investments held in commingled funds valued at NAV. These investments may be subject to varying lock-up provisions and redemption schedules. The real asset holdings are illiquid. Distributions are received over the life of the investments, which could equal or exceed ten years. They are not redeemed, nor do they have set redemption schedules. Private equity investment strategies include buyout, venture capital, growth capital, and special situations. Investments in the asset class are achieved primarily through commingled funds and separate account partnerships but may also include direct and co-investment opportunities. Private equity investments are illiquid and distributions are received over the life of the investments, which could equal or exceed ten years. These investments are not typically redeemed, nor do they have set redemption schedules.

Absolute return investment strategies include equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, co-investments, and commodities. Investments are achieved through limited partnerships. The table below provides a summary of the terms and conditions upon which the Retirement System may redeem its absolute return investments. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions that differ from the standard terms and conditions summarized here, which can impede the return of capital according to those terms and conditions.

Absolute Return Investments Measured at NAV as of June 30, 2021

% of NAV	Redemption Frequency (excludes illiquid)	Redemption Notice Period
43%	Monthly	5-95 Days
45%	Quarterly	45-180 Days
12%	Semi-annually	60-180 Days
<hr/> 100%		
% of NAV in Lock Up	As of Fiscal Year-End	
14%	2021-2022	
10%	2022-2023	
4%	2023-2024	
0%	2024-2025	

CITY AND COUNTY OF SAN FRANCISCO
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Retiree Health Care Trust Fund

Investments at Net Asset Value (NAV)

At June 30, 2021, the RHCTF had cash and investments in the City Treasury pool, commingled funds, mutual funds, feeder funds, and money market funds. The funds are priced at net asset value (NAV) by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. As of June 30, 2021, one debt security investment valued at \$51.8 million has quarter end redemptions with a 90 day advance written notice requirement. In addition, one international equity investment valued at \$109.3 million has weekly redemptions with a three-day advance notification requirement. Both investments have 5% holdbacks for a full liquidation. In addition, \$35.7 million of RHCTF's risk mitigating strategies allows redemptions on a weekly basis with four-day notice. There are no redemption restrictions for the remaining commingled funds.

The fair value of the RHCTF's investments in private equity are based on NAV provided by the investment managers and general partners (hereinafter collectively referred to as the "General Partners"). Such value generally represents the RHCTF's proportionate share of the net assets of the limited partnerships. The partnership financial statements are audited annually as of December 31 and the NAV is adjusted by additional contributions to and distributions from the partnership, the RHCTF's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partners.

The General Partners may use one or more valuation methodologies outlined in FASB ASC 820, *Fair Value Measurement*. For some investments, little market activity may exist. The General Partners' determination of fair value is then based on the best information available in the circumstances and may involve subjective assumptions and estimates, including the General Partners' assessment of the information that market participants would use in valuing the investments. The General Partners may take into consideration a combination of internal and external factors, including but not limit to, appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

The values provided by the General Partners may differ significantly from the values that would have been used had a ready market existed for these investments.

(d) Investment Risks

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units not covered by Federal Deposit Insurance Corporation insurance by pledging government securities as collateral. The market value of pledged securities must equal at least 110.0% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i) of the City's deposits. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name. As of June 30, 2021, \$1.5 million of the business-type activities bank balances were exposed to custodial credit risk by not being insured or collateralized.

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Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. Information about the sensitivity to the fair values of the City's investments to interest rate fluctuations is provided by the following tables, which shows the distribution of the City's investments by maturity. The Retirement System's and Retiree Health Care Trust Fund's interest rate risk information is discussed in sections (f) and (g), respectively, of this note.

		Investment Maturities		
	S&P Rating	Fair Value	Less than 1 year	1 to 5 years
Primary Government:				
Investments in City Treasury:				
U.S. Treasury Notes	AA+	\$ 5,421,213	\$ 3,407,500	\$ 2,013,713
U.S. Agencies	AA+	3,715,119	2,369,639	1,345,480
Negotiable Certificates of Deposit	A-1, A-1+	1,905,907	1,905,907	-
Money Market Mutual Funds	AAAm	1,103,034	1,103,034	-
Public Time Deposits	NR	40,000	40,000	-
Supranationals	AAA	467,070	262,214	204,856
Subtotal pooled investments		<u>12,652,343</u>	<u>\$ 9,088,294</u>	<u>\$ 3,564,049</u>
Investments Outside City Treasury: (Governmental and Business-Type)				
U.S. Treasury Notes	AA+	\$ 356,686	\$ 26,795	\$ 329,891
U.S. Agencies	AA+	261,998	29,508	232,490
State and Local Agencies	NR, AA, AA+, AAA	4,466	-	4,466
Supranationals	AAA	5,077	506	4,571
Corporate Notes	AA+	550	550	-
Money Market Mutual Funds	A-1+, AAAm	570,395	570,395	-
U.S. Treasury Money Market Funds	AAAm	93,956	93,956	-
Commercial Paper	A-1+, AAAm	1,349	1,349	-
Negotiable Certificates of Deposit	NR, A+, AA-	2,290	273	2,017
Subtotal investments outside City Treasury		<u>1,296,767</u>	<u>\$ 723,332</u>	<u>\$ 573,435</u>
Retiree Health Care Trust Investments		739,313		
Employees' Retirement System investments		<u>36,201,197</u>		
Total Investments		<u>\$ 50,889,620</u>		

As of June 30, 2021, the investments in the City Treasury had a weighted average maturity of 407 days.

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Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to pay the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The S&P Global Ratings (S&P) rating for each of the investment types are shown in the table above.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name. The governmental and business-type activities also have investments with trustees related to the issuance of bonds that are uninsured, unregistered and held by the counterparty's trust departments but not in the City's name. These amounts are included in the investments outside City Treasury shown in the table above.

Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. government are not subject to single issuer limitation.

As of June 30, 2021, the City Treasurer has investments that represent 5.0% or more of the total Pool in the following:

Federal Farm Credit Bank.....	20.2%
Federal Home Loan Bank	5.4%
Negotiable Certificates of Deposit – Toronto Dominion Bank	5.3%

In addition, the following major fund holds investments with trustees that represent 5.0% or more of the funds' investments outside City Treasury as of June 30, 2021:

Airport:	
Federal Home Loan Mortgage Association	15.4%
Federal National Mortgage Association	11.2%
Federal Home Loan Bank.....	5.4%

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(e) Treasurer's Pool

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of and for the year ended June 30, 2021:

Statement of Net Position

Net position held in trust for all pool participants.....	\$13,410,639
Equity of internal pool participants.....	\$12,547,813
Equity of external pool participants.....	862,826
Total equity.....	<u>\$13,410,639</u>

Statement of Changes in Net Position

Net position at July 1, 2020.....	\$12,210,998
Net change in investments by pool participants.....	1,199,641
Net position at June 30, 2021.....	<u>\$13,410,639</u>

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2021:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
U.S. Treasuries.....	0.03% - 1.90%	07/08/21 - 04/30/26	\$ 5,398,860	\$ 5,421,213
U.S. Agencies.....	0.05% - 3.09%	07/07/21 - 09/03/25	3,695,451	3,715,119
Public Time Deposits.....	0.07% - 0.10%	09/20/21 - 12/20/21	40,000	40,000
Negotiable Certificates of Deposit	0.12% - 0.23%	07/02/21 - 05/25/22	1,905,000	1,905,907
Money Market Mutual Funds.....	0.01% - 0.03%	07/01/21 - 07/01/21	1,103,034	1,103,034
Supranationals.....	0.02% - 2.97%	07/01/21 - 01/15/25	462,135	467,070
			<u>\$12,604,480</u>	<u>12,652,343</u>
Carrying amount of deposits with Treasurer.....				758,296
Total cash and investments with Treasurer.....				<u>\$ 13,410,639</u>

CITY AND COUNTY OF SAN FRANCISCO
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(f) Retirement System's Investments

The Retirement System's investments as of June 30, 2021, are summarized as follows:

Fixed Income Investments:	
Short-term investments	\$ 651,504
Investments in City Treasury	9,184
Debt securities:	
U.S. Government and agencies	1,090,034
Other debt securities	1,094,046
Subtotal debt securities	<u>2,184,080</u>
Total fixed income investments	<u>2,844,768</u>
Equity securities:	
Domestic	9,126,749
International	3,530,581
Total equity securities	<u>12,657,330</u>
Real assets	4,182,366
Private credit	1,818,240
Private equity	10,280,363
Absolute return	3,656,388
Foreign currency contracts, net	69
Invested securities lending collateral	770,857
Total Retirement System Investments	<u><u>\$ 36,210,381</u></u>

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Interest Rate Risk

The Retirement System does not have a specific policy to manage interest rate risk. Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2021:

Investment Type	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Asset-Backed Securities	\$ 24,457	\$ 20	\$ 3,915	\$ 4,108	\$ 16,414
Bank Loans	112,605	3,151	57,243	52,211	-
City Investment Pool	9,184	6,597	2,587	-	-
Collateralized Bonds	2,011	-	-	533	1,478
Commercial Mortgage-Backed	87,798	-	621	1,927	85,250
Commingled and Other					
Fixed Income Funds	321,260	2,009	-	87,236	232,015
Corporate Bonds	274,249	1,686	89,417	142,457	40,689
Corporate Convertible Bonds	197,414	1,917	141,231	49,560	4,706
Government Bonds	1,139,367	1,545	755,004	351,452	31,366
Government Mortgage-Backed Securities	4,783	-	-	-	4,783
Municipal/Provincial Bonds	3,079	-	1,292	337	1,450
Non-Government Backed					
Collateralized Mortgage Obligations	16,541	366	-	-	16,175
Options	6	(6)	12	-	-
Short-Term Investment Funds	651,504	651,504	-	-	-
Swaps	510	26	217	292	(25)
Total	<u>\$ 2,844,768</u>	<u>\$ 668,815</u>	<u>\$ 1,051,539</u>	<u>\$ 690,113</u>	<u>\$ 434,301</u>

Credit Risk

Fixed income investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Fixed income investment managers typically are limited within their portfolios to no more than 5.0% exposure in any single security, with the exception of United States Treasury and government agency securities. The Retirement System's credit risk policy is embedded in the individual investment manager agreements as prescribed and approved by the Retirement Board.

Investments are classified and rated using the lower of (1) S&P Global Ratings (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

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The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2021. Investments issued or explicitly guaranteed by the U.S. government of \$1.10 billion as of June 30, 2021, are exempt from credit rating disclosures and are excluded from the table below.

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	\$ 630,147	35.8%
AA	11,985	0.7%
A	34,910	2.0%
BBB	95,573	5.4%
BB	112,351	6.4%
B	205,694	11.7%
CCC	45,619	2.6%
CC	4,806	0.3%
D	5,589	0.3%
Not Rated	615,622	34.8%
Total	<u>\$ 1,762,296</u>	<u>100.0%</u>

The securities listed as "Not Rated" include short-term investment funds, government mortgage-backed securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these investments, the "Not Rated" component of credit would be approximately 8.4% for 2021.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement System's investment in a single issuer. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit. As of June 30, 2021, the Retirement System had no investments of a single issuer that equaled or exceeded 5.0% of total Retirement System's investments or net position.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government may not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2021, \$127.4 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.

Foreign Currency Risk

The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated cash, equity, fixed income, private equity, real assets, and private credit. The Retirement System's investment policy allows international managers to enter into foreign exchange contracts, which are limited to hedging currency exposure existing in the portfolio.

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The Retirement System's net exposures to foreign currency risk as of June 30, 2021, are as follows:

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Private Credit	Foreign Currency Contracts	Total
Argentina peso	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1
Australian dollar	-	20,693	121	12,820	-	-	2,565	36,199
Brazil real	-	10,282	1,995	-	-	-	1,764	14,041
Canadian dollar	-	51,175	14	-	-	-	3,976	55,165
Chilean peso	-	1,333	829	-	-	-	986	3,148
Chinese r yuan HK	-	-	-	-	-	-	(5,497)	(5,497)
Chinese yuan renminbi	38,546	483,245	4,622	-	-	-	(17,531)	508,882
Colombian peso	-	-	5,113	-	-	-	(3,431)	1,682
Czech koruna	-	-	(60)	-	-	-	1,760	1,700
Danish krone	-	54,690	-	-	-	-	-	54,690
Dominican rep peso	-	-	618	-	-	-	(808)	(190)
Egyptian pound	-	-	670	-	-	-	-	670
Euro	-	578,211	45,092	139,170	431,880	65,124	(108,522)	1,150,955
Hong Kong dollar	-	120,819	-	-	-	-	872	121,691
Hungarian forint	-	3,342	828	-	-	-	882	5,052
Indonesian rupiah	-	1,176	3,707	-	-	-	595	5,478
Israeli shekel	-	-	-	-	-	-	(19)	(19)
Japanese yen	-	80,806	-	-	56,587	-	20,759	158,152
Kazakhstan tenge	-	-	253	-	-	-	-	253
Malaysian ringgit	-	-	3,063	-	-	-	137	3,200
Mexican peso	-	6,589	1,923	-	-	-	2,111	10,623
New Taiw an dollar	-	46,346	-	-	-	-	-	46,346
Norw egian krone	-	4,817	-	-	-	-	-	4,817
Peruvian sol	-	-	5,679	-	-	-	(5,863)	(184)
Philippines peso	-	1,833	206	-	-	-	(152)	1,887
Polish zloty	-	9,086	2,024	-	-	-	847	11,957
Pound sterling	-	210,529	8,079	53,304	50,326	-	(11,917)	310,321
Romanian leu	-	-	851	-	-	-	501	1,352
New Russian ruble	-	2,332	2,523	-	-	-	1,219	6,074
Singapore dollar	-	1,495	-	-	-	-	-	1,495
South African rand	-	11,021	8,676	-	-	-	(6,419)	13,278
South Korean w on	-	33,545	-	-	-	-	(459)	33,086
Sw edish krona	-	45,299	-	-	-	-	-	45,299
Sw iss franc	-	99,888	-	-	-	-	(645)	99,243
Thailand baht	-	4,330	1,442	-	-	-	2,219	7,991
Turkish lira	-	3,509	-	-	-	-	86	3,595
Uruguayan peso	-	-	-	-	-	-	130	130
Total	\$ 38,546	\$ 1,886,391	\$ 98,269	\$ 205,294	\$ 538,793	\$ 65,124	\$ (119,854)	\$ 2,712,563

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Money Weighted Rate of Return

For the year ended June 30, 2021, the annual money weighted rate of return on pension plan investments, net of investment expenses, adjusted for the changing amounts actually invested, was 35.5 percent.

Derivative Instruments

As of June 30, 2021, the derivative instruments held by the Retirement System are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The fair value of the exchange traded derivative instruments, such as futures, options, rights and warrants are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by the Retirement System's investment managers based on quoted market prices of the underlying investment instruments or by an external pricing service using various proprietary methods.

The table below presents the notional amounts, the fair values, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2021:

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	\$ 263,225	\$ 69	\$ 185
Futures			
Bond Futures Long	8,898	84	84
Equity Index Futures Long	76,766	1,073	(548)
Treasury Futures Long	400,741	1,474	1,070
Treasury Futures Short	(8,215)	(47)	(47)
Options			
Credit Contracts	-	(6)	12
Foreign Exchange Contracts	200	12	(133)
Swaps			
Credit Contracts	5,375	324	(150)
Currency Contracts	440	247	(306)
Interest Rate Contracts	115,953	(61)	(3,660)
Rights/Warrants			
Equity Contracts	40,449 shares	101,656	(5,254)
Total		<u>\$ 104,825</u>	<u>\$ (8,747)</u>

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All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. Rights, warrants, and equity index futures are reported in equity securities. Foreign exchange contracts are reported in foreign currency contracts, which also include spot contracts that are not derivatives. All other derivative contracts are reported in other debt securities. All changes in fair value are reported as net appreciation (depreciation) in fair value of investments in the statement of changes in fiduciary net position.

Counterparty Credit Risk

The Retirement System is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. The table below presents those investments being classified and rated using the lower of (1) S&P Global Ratings (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

Credit Rating	Fair Value
AA	\$ 462
A	1,609
BBB	1,684
Total	<u>\$ 3,755</u>

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2021, all of the Retirement System's investments in derivative instruments are held in the Retirement System's name and are not exposed to custodial credit risk.

Interest Rate Risk

The table below describes the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2021.

Derivative Type / Contracts	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Futures					
Treasury Futures Long	\$ 1,474	\$ 1,474	\$ -	\$ -	\$ -
Treasury Futures Short	(47)	(47)	-	-	-
Options					
Foreign Exchange Contracts	12	-	12	-	-
Swaps					
Currency Contracts	247	-	187	60	-
Interest Rate Contracts	(61)	-	(268)	232	(25)
Total	<u>\$ 1,625</u>	<u>\$ 1,427</u>	<u>\$ (69)</u>	<u>\$ 292</u>	<u>\$ (25)</u>

CITY AND COUNTY OF SAN FRANCISCO
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The following table details the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2021:

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 0.25%, Pay Variable 3-Month BBA	\$ 1,760	\$ (54)
Interest Rate Swap	Receive Fixed 0.48%, Pay Variable 6-Month PRIBOR	658	(7)
Interest Rate Swap	Receive Fixed 0.57%, Pay Variable 6-Month WIBOR	22,800	216
Interest Rate Swap	Receive Fixed 1.48%, Pay Variable 6-Month PRIBOR	1,152	35
Interest Rate Swap	Receive Fixed 2.00%, Pay Variable 6-Month BUBOR	379	82
Interest Rate Swap	Receive Fixed 2.39%, Pay Variable 6-Month THB	5,158	(103)
Interest Rate Swap	Receive Fixed 2.42%, Pay Variable 6-Month THB	191	10
Interest Rate Swap	Receive Fixed 2.81%, Pay Variable 6-Month THB	613	(21)
Interest Rate Swap	Receive Fixed 3.34%, Pay Variable 3-Month KLIBOR	5,201	96
Interest Rate Swap	Receive Fixed 3.35%, Pay Variable 1-Day BIDOR	959	(25)
Interest Rate Swap	Receive Fixed 4.10%, Pay Variable 1-Day BIDOR	805	(10)
Interest Rate Swap	Receive Fixed 4.35%, Pay Variable 28-Day MXIBR	91	(4)
Interest Rate Swap	Receive Fixed 4.50%, Pay Variable 1-Day BIDOR	598	48
Interest Rate Swap	Receive Fixed 4.87%, Pay Variable 1-Day BIDOR	790	(23)
Interest Rate Swap	Receive Fixed 5.25%, Pay Variable 1-Day BIDOR	241	7
Interest Rate Swap	Receive Fixed 5.26%, Pay Variable 3-Month JIBAR	837	(21)
Interest Rate Swap	Receive Fixed 5.60%, Pay Variable 1-Day COOVIBR	359	17
Interest Rate Swap	Receive Fixed 6.71%, Pay Variable 28-Day MXIBR	4,145	30
Interest Rate Swap	Receive Fixed 7.13%, Pay Variable 28-Day MXIBR	11,340	(96)
Interest Rate Swap	Receive Fixed 7.48%, Pay Variable 1-Day BIDOR	574	46
Interest Rate Swap	Receive Fixed 11.33%, Pay Variable 1-Day BIDOR	1,158	(3)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 6.25%	693	(37)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 7.17%	598	49
Interest Rate Swap	Receive Variable 1-Day COOVIBR, Pay Fixed 1.20%	996	(8)
Interest Rate Swap	Receive Variable 1-Day COOVIBR, Pay Fixed 4.20%	1,774	(63)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 5.12%	1,696	(1)
Interest Rate Swap	Receive Variable 3-Month BBA, Pay Fixed 0.36%	998	68
Interest Rate Swap	Receive Variable 3-Month JIBAR, Pay Fixed 7.46%	2,591	124
Interest Rate Swap	Receive Variable 6-Month WIBOR, Pay Fixed 0.94%	46,798	(413)
Total Interest Rate Swaps		<u>\$ 115,953</u>	<u>\$ (61)</u>

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Foreign Currency Risk

At June 30, 2021, the Retirement System is exposed to foreign currency risk on its derivative investments denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2021:

<u>Currency</u>	<u>Forwards</u>	<u>Options</u>	<u>Rights/ Warrants</u>	<u>Swaps</u>	<u>Futures</u>	<u>Total</u>
Argentina peso	\$ -	\$ -	\$ -	\$ (197)	\$ -	\$ (197)
Australian dollar	2,565	-	-	-	-	2,565
Brazil real	1,764	-	-	161	-	1,925
Canadian dollar	3,976	-	-	-	14	3,990
Chilean peso	986	-	-	-	-	986
Chinese r yuan HK	(5,497)	-	-	-	-	(5,497)
Chinese yuan renminbi	(17,531)	-	-	-	-	(17,531)
Colombian peso	(3,431)	-	-	30	-	(3,401)
Czech koruna	1,760	-	-	(60)	-	1,700
Dominican rep peso	(808)	-	-	-	-	(808)
Euro	(108,522)	(4)	111	-	66	(108,349)
Hong Kong dollar	872	-	-	-	-	872
Hungarian forint	882	-	-	(3)	-	879
Indonesian rupiah	595	-	-	-	-	595
Israeli shekel	(19)	-	-	-	-	(19)
Japanese yen	20,759	-	-	-	-	20,759
Malaysian ringgit	137	-	-	7	-	144
Mexican peso	2,111	-	-	(122)	-	1,989
Peruvian sol	(5,863)	-	-	-	-	(5,863)
Philippines peso	(152)	-	-	-	-	(152)
Polish zloty	847	-	-	14	-	861
Pound sterling	(11,917)	-	-	-	3	(11,914)
Romanian leu	501	-	-	-	-	501
New Russian ruble	1,219	-	-	-	-	1,219
South African rand	(6,419)	-	-	(36)	-	(6,455)
South Korean won	(459)	-	-	-	-	(459)
Swiss franc	(645)	-	5	-	-	(640)
Thailand baht	2,219	-	-	143	-	2,362
Turkish lira	86	-	-	-	-	86
Uruguayan peso	130	-	-	-	-	130
Total	<u>\$ (119,854)</u>	<u>\$ (4)</u>	<u>\$ 116</u>	<u>\$ (63)</u>	<u>\$ 83</u>	<u>\$ (119,722)</u>

Contingent Features

At June 30, 2021, the Retirement System held no positions in derivatives containing contingent features.

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Securities Lending

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Cash and non-cash collateral is pledged at 102% to 110% depending on security type. There are no restrictions on the number 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 corresponding collateral.

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. The securities collateral is not reported on the statement of fiduciary net position. As of June 30, 2021, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of rights in the collateral should the borrower of securities fail financially. However, the lending agent indemnifies the Retirement System against all borrower defaults.

As of June 30, 2021, the Retirement System has lent \$2.06 billion in securities and received collateral of \$770.5 million and \$1.46 billion in cash and securities, respectively, from borrowers. The cash collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement Board. Due to the increase in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at \$770.9 million. The net unrealized gain of \$343 is presented as part of the net appreciation (depreciation) in fair value of investments in the statement of changes in fiduciary net position in the year in which the unrealized gains and losses occur. The Retirement System is exposed to investment risk including the possible loss of principal value in the separately managed cash collateral reinvestment account due to the fluctuation in the fair value of the assets held in the account.

The Retirement System's securities lending transactions as of June 30, 2021 are summarized in the following table.

Investment Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Non- Cash Collateral
Securities on Loan for Cash Collateral			
U.S. Corporate Fixed Income	\$ 86,347	\$ 88,523	\$ -
U.S. Equities	445,420	477,334	-
U.S. Government Fixed Income	191,064	194,848	-
International Fixed Income	825	882	-
International Equities	8,418	8,927	-
Securities on Loan for Non-Cash Collateral			
U.S. Corporate Fixed Income	3,118	-	3,192
U.S. Equities	538,114	-	586,380
U.S. Government Fixed Income	655,451	-	717,379
International Fixed Income	4,753	-	5,153
International Equities	126,529	-	146,309
	<u>\$ 2,060,039</u>	<u>\$ 770,514</u>	<u>\$ 1,458,413</u>

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The following table presents the segmented time distribution for the reinvested cash collateral account based upon the expected maturity (in years) as of June 30, 2021.

Investment Type	Fair Value	Maturities	
		Less Than 1 Year	1-5 Years
Certificates of Deposit	\$ 20,728	\$ 20,728	\$ -
Commercial Paper	98,781	98,781	-
Floating Rate Notes	349,033	345,999	3,034
Money Market Funds	36,095	36,095	-
Repurchase Agreements	266,178	266,178	-
Payable/Receivable	42	42	-
Total	<u>\$ 770,857</u>	<u>\$ 767,823</u>	<u>\$ 3,034</u>

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2021 is as follows:

Credit Rating	Fair Value	Fair Value as a Percentage of Total
A-1	\$ 125,609	16.3%
AAA	36,095	4.7%
AA	181,580	23.6%
A	161,353	20.9%
Not Rated *	266,220	34.5%
Total	<u>\$ 770,857</u>	<u>100.0%</u>

* This figure includes \$266.2 million in repurchase agreements.

Investments in Real Assets

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the year ended June 30, 2021, are summarized as follows:

Beginning of the year	\$ 3,840,427
Capital investments	547,457
Equity in net earnings	72,408
Net appreciation in fair value	509,855
Capital distributions	(787,781)
End of the year	<u>\$ 4,182,366</u>

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(g) Retiree Health Care Trust Fund

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The RHCTF does not have a specific policy to manage interest rate risk but invests in a diversified portfolio of stocks and bonds with a goal of reducing sensitivity to any one interest rate regime.

As of June 30, 2021, the weighted average maturities in years for the RHCTF's fixed income investments were as follows:

<u>Investment Type</u>	<u>Weighted Average Maturity in Years</u>
US Debt Index Fund	8.4
Government Bond Index Fund	24.5
Inflation Protected Debt Index Fund	2.7
Emerging Markets Debt Fund	12.4
Multi-Sector Debt Fund	6.9
City Investment Pool	1.1
Treasury Money Market fund	0.1

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The RHCTF's investments in the US Debt Index Fund, Government Bond Index Fund, Inflation Protected Debt Index Fund, Emerging Markets Debt Fund, Multi-Sector Debt Fund, City investment pool and Treasury Money Market Fund are not rated. Although those funds may invest in rated securities, and securities issued or explicitly guaranteed by the U.S. Government that are exempt from the credit rating disclosures, the funds do not themselves have a specific credit rating.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Securities issued or explicitly guaranteed by the U.S. government are excluded from this disclosure. As of June 30, 2021, the RHCTF had only commingled funds and a partnership investment that equaled or exceeded 5% of the plan's fiduciary net position. However, there is no position within the funds or partnership investment that has equal and greater than 5% at the issuer level and likely very little, if any, overlap.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the RHCTF would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The RHCTF does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the RHCTF's custodial agent in the RHCTF's name. As of June 30, 2021, none of the RHCTF's investments were exposed to custodial credit risk because they were either insured or registered in the name of the RHCTF and were held by the custodial bank's trust department or agent.

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Foreign Currency Risk

The RHCTF allows investments in international equity. The RHCTF's investments in the commingled funds are denominated in U.S. dollars, but may consist of underlying securities that are denominated in foreign currencies. The RHCTF's investment managers value investments denominated in foreign currencies by converting them into U.S. dollars using the most appropriate exchange rates as identified by each manager. Also, the cost of purchases and proceeds from sales of investments, interest and dividend income are translated into U.S. dollars using the spot market rate of exchange prevailing on the respective dates of such transactions.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 24.7 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Unfunded Investments Commitments

The RHCTF has unfunded commitments to contribute capital for real estate in the amount of \$32.0 million and private equity in the amount of \$23.4 million, totaling \$55.4 million as of June 30, 2021.

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(6) PROPERTY TAXES

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state law. Property taxes are levied on both real and personal property. Liens for secured property taxes attach on January 1st preceding the fiscal year for which taxes are levied. Secured property taxes are levied on the first business day of September and are payable in two equal installments: the first is due on November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property taxes that are delinquent and unpaid as of June 30th are subject to redemption penalties, costs, and interest when paid. If not paid at the end of five years, the secured property may be sold at public auction and the proceeds used to pay delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Unsecured personal property taxes do not represent a lien on real property. Those taxes are levied on January 1st and become delinquent with penalties after August 31st. Supplemental property tax assessments associated with changes in the assessed valuation due to transfer of ownership in property or upon completion of new construction are levied in two equal installments and have variable due dates based on the date the bill is mailed.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-1979, general property taxes are based either on a flat 1% rate applied to the adjusted 1975-1976 value of the property and new construction value added after the 1975-1976 valuation or on a flat 1.0% rate of the sales price of the property for changes in ownership. Taxable values on properties (exclusive of increases related to sales and construction) can rise or be adjusted at the lesser of 2.0% per year or the inflation rate as determined by the Board of Equalization's California Consumer Price Index.

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1.0% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39, which set the approval threshold at 55.0% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately \$367.5 million for the year ended June 30, 2021.

Taxable valuation for the year ended June 30, 2021, (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately \$277.9 billion, an increase of 8.71%. The secured tax rate was \$1.1985 per \$100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: about \$0.65 for general government, about \$0.35 for other taxing entities including the San Francisco Unified School District, San Francisco County Office of Education, San Francisco Community College District, the Bay Area Air Quality Management District, and the San Francisco Bay Area Rapid Transit District, and \$0.1985 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 1.00% and 0.96%, respectively, of the current year tax levy, for an average delinquency rate of 1.00% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100.0% of the secured annual and escape property taxes billed but not yet collected by the City; in return, as the delinquent property taxes and associated penalties and interest are collected, the City retains such tax amounts in the custodial fund. To the extent the custodial 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, 2021, was \$35.3 million, which is included in the custodial fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

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(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Increases ⁽¹⁾	Decreases ⁽¹⁾	Balance June 30, 2021
Governmental Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 673,347	\$ 61,900	\$ -	\$ 735,247
Intangible assets.....	9,689	-	(8,783)	906
Construction in progress.....	780,833	330,421	(387,693)	723,561
Total capital assets, not being depreciated.....	<u>1,463,869</u>	<u>392,321</u>	<u>(396,476)</u>	<u>1,459,714</u>
Capital assets, being depreciated:				
Facilities and improvements.....	5,495,225	192,140	-	5,687,365
Machinery and equipment.....	606,576	18,343	(3,226)	621,693
Infrastructure.....	1,233,792	156,737	-	1,390,529
Intangible assets.....	142,210	75	(294)	141,991
Total capital assets, being depreciated.....	<u>7,477,803</u>	<u>367,295</u>	<u>(3,520)</u>	<u>7,841,578</u>
Less accumulated depreciation for:				
Facilities and improvements.....	1,444,830	131,254	-	1,576,084
Machinery and equipment.....	428,795	39,312	(3,165)	464,942
Infrastructure.....	335,144	55,236	-	390,380
Intangible assets.....	30,146	8,528	(294)	38,380
Total accumulated depreciation.....	<u>2,238,915</u>	<u>234,330</u>	<u>(3,459)</u>	<u>2,469,786</u>
Total capital assets, being depreciated, net.....	<u>5,238,888</u>	<u>132,965</u>	<u>(61)</u>	<u>5,371,792</u>
Governmental activities capital assets, net.....	<u>\$ 6,702,757</u>	<u>\$ 525,286</u>	<u>\$ (396,537)</u>	<u>\$ 6,831,506</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 341,624	\$ -	\$ (1,088)	\$ 340,536
Intangible assets.....	12,043	-	-	12,043
Construction in progress.....	5,179,163	2,190,717	(1,613,707)	5,756,173
Total capital assets, not being depreciated.....	<u>5,532,830</u>	<u>2,190,717</u>	<u>(1,614,795)</u>	<u>6,108,752</u>
Capital assets, being depreciated:				
Facilities and improvements.....	20,899,397	1,113,196	(143,883)	21,868,710
Machinery and equipment.....	3,880,488 ⁽²⁾	305,050	(51,889)	4,133,649
Infrastructure.....	1,658,036	185,011	(5)	1,843,042
Property held under lease.....	697	-	(199)	498
Intangible assets.....	132,793	6,093	(7,224)	131,662
Total capital assets, being depreciated.....	<u>26,571,411</u>	<u>1,609,350</u>	<u>(203,200)</u>	<u>27,977,561</u>
Less accumulated depreciation for:				
Facilities and improvements.....	7,361,413 ⁽²⁾	525,790	(102,130)	7,785,073
Machinery and equipment.....	1,802,523 ⁽²⁾	247,881	(51,465)	1,998,939
Infrastructure.....	753,905	45,063	-	798,968
Property held under lease.....	697	-	(199)	498
Intangible assets.....	96,237	4,832	(7,224)	93,845
Total accumulated depreciation.....	<u>10,014,775</u>	<u>823,566</u>	<u>(161,018)</u>	<u>10,677,323</u>
Total capital assets, being depreciated, net.....	<u>16,556,636</u>	<u>785,784</u>	<u>(42,182)</u>	<u>17,300,238</u>
Business-type activities capital assets, net.....	<u>\$ 22,089,466</u>	<u>\$ 2,976,501</u>	<u>\$ (1,656,977)</u>	<u>\$ 23,408,990</u>

(1) The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.

(2) Includes reclassifications from MTA to match the presentation in the audited financial statements.

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

Governmental Activities:

Public protection.....	\$ 25,948
Public works, transportation and commerce.....	67,392
Human welfare and neighborhood development.....	1,131
Community Health.....	39,246
Culture and recreation.....	58,677
General administration and finance.....	38,220
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis.....	3,716
Total depreciation expense - governmental activities.....	<u>\$ 234,330</u>

Business-type activities:

Airport.....	\$ 331,135
Water.....	144,033
Power.....	21,636
Transportation.....	201,186
Hospitals.....	30,079
Wastewater.....	72,018
Port.....	23,479
Total depreciation expense - business-type activities.....	<u>\$ 823,566</u>

Equipment is generally estimated to have useful lives of 2 to 40 years, except for certain equipment of the Water Enterprise that has an estimated useful life of up to 75 years. Facilities and improvements are generally estimated to have useful lives from 15 to 50 years, except for utility type assets of the Water Enterprise, Hetch Hetchy, the Wastewater Enterprise, the SFMTA, and the Port that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of SFMTA, and pier substructures of the Port, which totaled \$5.24 billion as of June 30, 2021. Hetch Hetchy Water had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled \$45.6 million as of June 30, 2021. The Airport had \$6.9 million in intangible assets of permanent easements. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled \$6.8 million as of June 30, 2021.

During the year ended June 30, 2021, the City's enterprise funds incurred total interest expense and negative interest income of approximately \$609.3 million and \$(3.1) million, respectively. Of these amounts, net interest expense of approximately \$101.2 million was capitalized. The Airport had write-offs and loss on disposal in the amount of \$42.0 million primarily due to disposal. The Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed \$3.8 million, \$8.4 million, and \$4.2 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

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Component Unit

Capital asset activity of the component unit for the year ended June 30, 2021 was as follows:

	July 1, 2020	Increases	Decreases	June 30, 2021
Treasure Island Development Authority:				
Capital assets, not being depreciated:				
Land.....	\$ 34,344	\$ -	\$ -	\$ 34,344
Construction in progress.....	502	-	-	502
Total capital assets, not being depreciated.....	34,846	-	-	34,846
Capital assets, being depreciated:				
Facilities and improvements.....	4,615	229	-	4,844
Machinery and equipment.....	36	-	-	36
Total capital assets, being depreciated.....	4,651	229	-	4,880
Less accumulated depreciation for:				
Facilities and improvements.....	315	92	-	407
Machinery and equipment.....	29	3	-	32
Total accumulated depreciation.....	344	95	-	439
Total capital assets, being depreciated, net.....	4,307	134	-	4,441
Component unit capital assets, net.....	<u>\$ 39,153</u>	<u>\$ 134</u>	<u>\$ -</u>	<u>\$ 39,287</u>

During the year ended June 30, 2021, TIDA recorded facility improvements for the YMCA gym improvements project. For the overall Treasure Island Development Project, construction began in late 2018, with the complete buildout of the project occurring over fifteen to twenty years. For additional information, refer to Note 15.

(8) BONDS, LOANS, CAPITAL LEASES AND OTHER PAYABLES

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2021, are as follows:

Commercial Paper	July 1, 2020	Additional Obligation	Current Maturities	June 30, 2021
Governmental activities:				
Multiple Capital Projects.....	\$ 108,190	\$ 527,893	\$ (617,323)	\$ 18,760
Governmental activities short-term obligations...	<u>\$ 108,190</u>	<u>\$ 527,893</u>	<u>\$ (617,323)</u>	<u>\$ 18,760</u>
Business-type activities:				
San Francisco General Hospital.....	\$ 11,793	\$ 39	\$ (3,877)	\$ 7,955
San Francisco International Airport.....	3,190	506,150	(230,000)	279,340
San Francisco Water Enterprise.....	362,354	105,862	(362,354)	105,862
Hetch Hetchy Water and Power.....	63,535	114,671	(63,535)	114,671
San Francisco Wastewater Enterprise.....	207,939	638,518	(207,939)	638,518
Business-type activities short-term obligations..	<u>\$ 648,811</u>	<u>\$1,365,240</u>	<u>\$ (867,705)</u>	<u>\$1,146,346</u>

City and County of San Francisco Commercial Paper Program

The City launched its commercial paper (CP) program to pay for project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles (Resolution No. 85-09). Pursuant to Resolution No. 85-09 approved in March 2009, the Board of Supervisors established a \$150.0 million commercial paper program. Pursuant to Resolution 247-13, the authorization of the commercial paper program was increased from \$150.0 million to \$250.0 million. The City currently has revolving credit agreements (RCA) and letters of credit (LOC) supporting the \$250.0 million program.

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CP is an alternative form of short-term (or interim) financing for certain capital projects, vehicles and equipment, that permits the City to pay project costs as project expenditures are incurred. The CP has a fixed maturity date from one to 270 days and in the City's general practice, matures between 30 to 90 days. On the maturity date of a CP note, the note may be rolled (or refinanced) with the re-issuance of CP notes for additional periods of up to 270 days until the CP is refunded with the issuance of long-term obligations.

The City issues CP in series based on the bank providing the applicable credit facility that are divided into subseries according to tax status. The City's CP program has three credit facilities, two RCAs issued by State Street Bank and Trust Company (State Street Bank) and U.S. Bank National Association, which supports the issuance of Commercial Paper Certificates of Participation Series 1&2 (Series 1&2), and a Letter of Credit Agreement (LOC) issued by State Street Bank, which supports the issuance of Commercial Paper Certificates of Participation Series 3 (Series 3). The Series 1&2 State Street and U.S. Bank National Association. RCAs have fees of 0.45% and 0.45% on the total commitment amounts, respectively, and are scheduled to expire in May 2023. In December 2018, the City closed the First Amendment to its Commercial Paper Letter of Credit Reimbursement Agreement with State Street Bank, supporting Series 3, in the maximum principal amount not to exceed \$100.0 million. The amendment stipulates a quarterly fee of 0.38% for the credit facility agreement, corresponding to the maintenance of a rating at least Aa3/AA-/AA- from Moody's, S&P and Fitch, respectively, and extended the terms of the agreement to February 2022.

In fiscal year 2021, the City issued \$527.9 million and retired \$617.3 million of CP, excluding CP issued for San Francisco General Hospital, to provide interim financing for various approved capital projects including the acquisition, construction and improvement of an animal care and control facility; the acquisition of and improvement to real property for the Hall of Justice relocation project, and the development, acquisition, construction or rehabilitation of affordable rental housing projects. As of June 30, 2021, the outstanding principal of taxable CP of governmental activities was \$18.8 million, with an interest rate of 0.08%.

Events of default, under the Letter of Credit and Reimbursement Agreement, consist of failure by the City to pay any Reimbursement Obligation to the Bank; failure to perform certain covenants, including the failure to make rental payments under the Sublease, which is an agreement by which the City is obligated to make annual rental payments to a trustee by leasing back City-owned property from the trustee; failure to make payment on any other Material Debt; City files for bankruptcy; City is downgraded below investment grade; City sustains unsatisfied judgment of \$25.0 million or more. Upon the occurrence of an event of default under the Letter of Credit and Reimbursement Agreement, the Credit Bank may terminate the Letter of Credit. Any outstanding Commercial Paper Certificates would be payable from proceeds of a Final Draw. If not repaid when due, drawings under the respective RCA supporting the CP notes are amortized up to a five-year period.

CITY AND COUNTY OF SAN FRANCISCO
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San Francisco General Hospital

In July 2014, the Board of Supervisors authorized the execution and delivery of tax-exempt and/or taxable CP in an aggregate principal amount not to exceed \$41.0 million to finance the costs of acquisition of furniture, fixtures, and equipment for the new San Francisco General Hospital. As of June 30, 2021, the outstanding principal amount of tax-exempt CP was \$8.0 million with an interest rate of 0.08%. The Commercial Paper Certificates are secured by base rental payments made by the City under a sublease between the City and the Trustee. Base rental payments are payable from the City's General Fund resources.

Events of default, under the Letter of Credit and Reimbursement Agreement, consist of failure by the City to pay any Reimbursement Obligation to the Bank; failure to perform certain covenants, including the failure to make rental payments under the Sublease, which was an agreement by which the City is obligated to make annual rental payments to the trustee by leasing back City-owned property to the trustee; failure to make payment on any other Material Debt; City files for bankruptcy; City is downgraded below investment grade; City sustains unsatisfied judgment of \$25.0 million or more. Upon the occurrence of an Event of Default under the Letter of Credit and Reimbursement Agreement, the Credit Bank may terminate the Letter of Credit. Any outstanding Commercial Paper Certificates would be payable from proceeds of a Final Draw. If not repaid when due, drawings under the respective LOC supporting the CP notes are amortized up to a five-year period.

San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, as amended and supplemented (the Note Resolution), authorizing the issuance of subordinate CP notes in an aggregate principal amount not to exceed the lesser of \$500.0 million or the stated amount of the letter(s) of credit (LOC) securing the CP. In January 2021, the Airport adopted Resolution No. 21-0003 which amended the 1997 Note Resolution to increase the authorized maximum aggregate principal from \$500.0 million to \$600.0 million.

The Airport issues CP in series based on tax status that are divided into subseries according to the bank providing the applicable direct-pay LOC. In addition to the applicable LOC, the CP notes are further secured by a pledge of the Net Revenues of the Airport, subject to the prior payment of the Airport's Second Series Revenue Bonds (the Senior Bonds) outstanding from time to time under Resolution No. 91-0210, adopted by the Airport on December 3, 1991, as amended and supplemented (the 1991 Master Bond Resolution).

Net Revenues are generally defined in the Note Resolution as all revenues earned by the Airport from or with respect to its construction, possession, management, supervision, maintenance, extension, operation, use and control of the Airport (not including certain amounts specified in the Note Resolution), less Operation and Maintenance Expenses (as defined in the Note Resolution).

The CP notes are special, limited obligations of the Airport, and the payment of the principal of and interest on the CP notes is secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts as provided in the Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on a parity with any other bonds or other obligations from time to time outstanding under the Note Resolution.

In May 2021, the Airport closed a \$100.0 million expansion of the CP program, increasing the aggregate principal amount of the CP notes that can be outstanding at any one time from \$500.0 million to \$600.0 million. A three-year irrevocable LOC issued by Barclays Bank PLC (Barclays) supports the additional \$100.0 million principal amount of the Airport's subordinate CP notes, reviving the Series A-3, Series B-3 and Series C-3 CP notes that had not been supported by a LOC since 2020. The Barclays LOC will expire May 24, 2024.

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As of June 30, 2021, the CP program was supported by six direct-pay letters of credit with a combined maximum stated principal amount of \$600.0 million, from State Street Bank and Trust Company (\$100.0 million, expires May 2, 2024), Sumitomo Mitsui Banking Corporation, acting through its New York Branch (\$100.0 million, expires June 21, 2022), Barclays Bank PLC (\$100.0 million, expires May 24, 2024), U.S. Bank National Association (\$100.0 million, expires November 15, 2023), Barclays Bank PLC (\$125.0 million, expires April 28, 2023), and Bank of America, N.A. (\$75.0 million, expires May 26, 2023). Each of the LOC supports a separate subseries of Notes.

As of June 30, 2021, there were no obligations other than the CP notes outstanding under the 1997 Note Resolution.

During fiscal year 2021, the Airport issued new money CP notes in the aggregate principal amount of \$80.7 million (AMT), \$166.4 million (Non-AMT), and \$259.0 million (Taxable) to fund capital improvement projects and costs of issuance related to the debt program, to reimburse the Airport for capitalized interest on Senior Bonds, and to defease outstanding Senior Bonds.

Events of default for the CP notes include nonpayment events, bankruptcy events, noncompliance with covenants, and default under the 1991 Master Bond Resolution. The CP notes are not subject to acceleration.

Events of default with respect to the LOC supporting the CP notes include nonpayment events (both on CP notes and Senior Bonds), bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1997 Note Resolution, or a determination of taxability of interest on the tax-exempt CP notes. A downgrade of the Airport's Senior Bonds to below "Baa1" by Moody's or "BBB+" by S&P or Fitch is an event of termination with respect to all of the LOC supporting the CP notes. In addition, the State Street Bank and Trust LOC supporting \$100.0 million of CP notes includes certain changes in law affecting the Airport's payment obligations to the bank as events of termination. Remedies include the LOC bank's ability to stop issuance of the CP notes it supports and to require a final drawing on the LOC. If not repaid when due, drawings under the respective LOC supporting the CP notes are amortized over a three-, four- or five-year period.

San Francisco Water Enterprise

The San Francisco Public Utilities Commission and the Board of Supervisors have authorized the issuance of up to \$500.0 million in CP pursuant to the voter-approved 2002 Proposition E. As of June 30, 2021, the amount outstanding under Proposition E was \$105.9 million. CP interest rates ranged from 0.1% to 2.2%. With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the near-to-medium term, at which time outstanding CP will likely be refunded with revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the CP interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the CP with long-term, fixed rate debt. The Water Enterprise had \$394.1 million in unused authorization as of June 30, 2021.

Events of default as specified in the Reimbursement Agreements, or Revolving Credit Agreement include payment defaults; material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods); and bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and/or termination of the respective agreement. As of June 30, 2021, there were no such events described herein.

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Hetch Hetchy Water and Power

Effective March 2019, under Charter Sections 9.107(6) and 9.107(8), and 2018 Proposition A, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to \$250.0 million in CP for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities of Hetchy Power. Interest rates for the CP ranged from 0.1% to 0.2% in fiscal year 2021. Hetch Hetchy Water and Power had \$114.7 million CP outstanding and \$135.3 million in unused authorization as of June 30, 2021.

Events of default as specified in the Reimbursement Agreements include non-payment; material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements; and bankruptcy, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2021, there were no such events described herein.

San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to \$750.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Enterprise had \$638.5 million CP outstanding and \$111.5 million in unused authorization as of June 30, 2021.

Significant events of default as specified in the Reimbursement Agreements, Revolving Credit and Term Loan Agreements or Revolving Credit Agreements include payment defaults, material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods), and bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2021, there were no such events described herein.

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Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2021:

GOVERNMENTAL ACTIVITIES

Type Of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS ^(a):			
Affordable housing.....	2046	0.143% - 3.95%	\$ 342,360
Earthquake safety and emergency response.....	2046	2.25% - 5.00%	409,185
Clean and safe neighborhood parks	2037	2.00% - 6.26%	99,035
Preservation and seismic safety (PASS) program	2060	0.319% - 4.321%	167,500
Public health and safety	2045	3.00% - 5.00%	223,010
Road repaving and street safety	2035	2.25% - 5.00%	33,990
San Francisco General Hospital.....	2033	3.25% - 6.26%	414,640
Seismic safety loan program	2031	3.36% - 5.83%	15,571
Transportation and road improvement	2040	2.00% - 5.00%	245,300
Refunding	2035	4.00% - 5.00%	576,100
General obligation bonds			<u>2,526,691</u>
LEASE REVENUE BONDS:			
San Francisco Finance Corporation ^{(b), (e) & (f)}	2030	0.02% - 5.00% *	109,130
SALES TAX REVENUE BONDS			
SFCTA revenue bonds ^(g)	2034	3.0% - 4.0%	222,020
CERTIFICATES OF PARTICIPATION:			
Certificates of participation ^{(c) & (d)}	2050	2.00% - 5.00%	1,173,865
OTHER LONG TERM OBLIGATIONS:			
Loans ^{(d), (f) & (g)}	2045	4.50%	20,914
Lease Purchase - Public Safety Radio Replacement ^(d)	2027	1.6991%	19,501
Capital Lease ^(d)	2022	1.080%	319
Governmental activities total long-term obligations.....			<u><u>\$ 4,072,440</u></u>

* Includes the Moscone Center West Expansion Project Refunding Bonds Series 2008 - 1 & 2, both of which were financed with variable rate bonds that reset weekly. The rate at June 30, 2021 for Series 2008 - 1 & 2 averaged to 0.02%.

Debt service payments are made from the following sources:

- (a) Property tax recorded in the Debt Service Fund.
- (b) Lease revenues from participating departments in the General, Special Revenue and Enterprise Funds.
- (c) Revenues recorded in the Special Revenue Funds.
- (d) Revenues recorded in the General Fund.
- (e) Hotel taxes and other revenues recorded in the General and Special Revenue Funds.
- (f) User-charge reimbursements from the General, Special Revenue and Enterprise Funds.
- (g) Sales tax revenues by the San Francisco County Transportation Authority.

Internal Service Funds serve primarily the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the above amounts.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2021
(Dollars in Thousands)

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds *	2058	0.06% - 5.50%*	\$ 7,877,070
San Francisco Water Enterprise:			
Revenue bonds	2051	0.26% - 6.95%	4,693,150
Certificates of participation	2042	2.00% - 6.49%	98,593
State Revolving fund loans	2051	1.00%	107,407
Hetch Hetchy Water and Power:			
Energy and revenue bonds	2046	3.00% - 5.00%	42,884
Certificates of participation.....	2042	2.00% - 6.49%	13,423
Municipal Transportation Agency:			
Revenue bonds	2051	0.249% - 5.00%	442,750
Loans.....	2047	3.30%	11,860
San Francisco General Hospital:			
Certificates of participation.....	2026	5.55%	9,198
San Francisco Wastewater Enterprise:			
Revenue bonds	2047	1.00% - 5.82%	1,465,060
Certificates of participation	2042	2.00% - 6.49%	26,069
State Revolving fund loans	2051	0.80% - 1.80%	108,559
Port of San Francisco:			
Revenue bonds	2044	1.67% - 5.0%	41,940
Certificates of participation.....	2043	4.75% - 5.25%	27,515
Loans	2037	4.50%	7,141
Laguna Honda Hospital:			
Certificates of participation	2031	3.00% - 5.00%	75,565
Business-type activities total long-term obligations ..			<u>\$ 15,048,184</u>

* Includes Second Series Revenue Bonds Issue 2010A and 2018B/C, which were issued as variable rate bonds in a weekly mode. For the year ended June 30, 2021, the average interest rates on Issue 2010A1 and 2 were 0.10% and 0.09%, respectively. For Issue 2018B and 2018C, the average interest rates were 0.06% and 0.08%, respectively.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in the respective enterprise funds.

Debt Compliance

The City believes it's in compliance with all significant limitations and restrictions contained in the various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2021, the City's general obligation bond debt limit (3% of valuation subject to taxation) was \$9.00 billion. The total amount of debt applicable to the debt limit was \$2.75 billion. The resulting legal debt margin was \$6.25 billion.

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

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the actual earnings from the investment of tax-exempt bond proceeds, which exceed related interest earnings if such investments were invested at a rate equal to the yield of the bonds, must be remitted to the federal government on every fifth anniversary of each bond issuance. The City has evaluated each series of tax-exempt general obligation bonds, lease revenue bonds, and certificates of participation, and other direct loans issued by the City and the Finance Corporation. The City and the Finance Corporation do not have rebatable arbitrage liability as of June 30, 2021. Each enterprise fund has performed similar analysis of its debt, which is subject to arbitrage rebate requirements and does not have rebatable arbitrage liability as of June 30, 2021.

Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency has issued various mortgage revenue bonds for the financing of multifamily rental housing and below-market rate mortgages for first-time homebuyers and to facilitate affordable housing construction and rehabilitation in the City. These obligations were issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt. These bonds are secured by the related mortgage indebtedness and special assessment taxes and are not considered obligations of the City. As of June 30, 2021, the total obligation outstanding was \$2.15 billion.

Community Facilities District No. 2014-1 (Transbay Transit Center)

The following is a summary of long-term obligations of the City and County of San Francisco Community Facilities District No. 2014-1 (CFD 2014-1) as of June 30, 2021:

Bonds	Remaining Interest Rates	Final Maturity Date	Amount
Special Tax Bonds Series 2017A	2.25% - 4.00%	2049	\$ 35,430
Special Tax Bonds Series 2017B	2.25% - 4.00%	2049	168,275
Special Tax Bonds Series 2019A	2.882% - 4.25%	2050	33,005
Special Tax Bonds Series 2019B	2.862% - 4.371%	2050	154,310
Special Tax Bonds Series 2020B	1.309% - 3.572%	2051	81,820
Total obligations			<u>\$ 472,840</u>

The Special Tax Bonds of CFD 2014-1 are secured under the provisions of a Fiscal Agent Agreement and will be payable solely from Special Tax Revenues and funds pledged under that agreement. These bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on the Special Tax Bonds of CFD 2014-1.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2021
(Dollars in Thousands)

Community Facilities District No. 2016-1 (Treasure Island)

The following is a summary of long-term obligations of the City and County of San Francisco Community Facilities District No. 2016-1 (CFD 2016-1) as of June 30, 2021:

Bonds	Remaining Interest Rates	Final Maturity Date	Amount
Special Tax Bonds Series 2020	3.00% - 4.00%	2051	\$ 17,135

In October 2020, the City, on behalf of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (IA No. 1), issued Special Tax Bonds, Series 2020 (the 2020 Bonds) in the par amount of \$17.1 million, in order to finance infrastructure and development costs for the Treasure Island/Yerba Buena Island Development Project. The 2020 Bonds bear interest rates ranging from 3.00% to 4.00% with principal amortizing from September 2021 through September 2050.

The Special Tax Bonds of CFD 2016-1 are secured under the provisions of a Fiscal Agent Agreement and will be payable solely from Special Tax Revenues and funds pledged under that agreement. These bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on Special Tax Bonds of CFD 2016-1.

Special Tax District No. 2020-1 (Mission Rock Facilities and Services)

The following is a summary of long-term obligations of the City and County of San Francisco Special Tax District No. 2020-1 as of June 30, 2021:

Bonds	Remaining Interest Rates	Final Maturity Date	Amount
Development Special Tax Bonds Series 2021A	3.00% - 4.00%	2052	\$ 43,300

In May 2021, the City, on behalf of the City and County of San Francisco Special Tax District No. 2020-1 (STD 2020-1), issued Development Special Tax Bonds, Series 2021A (the 2021A Bonds) in the par amount of \$43.3 million, in order to finance infrastructure and development costs for the Mission Rock Development Project. The 2021A Bonds bear interest rates ranging from 3.00% to 4.00% with principal amortizing from September 2021 through September 2051.

The Development Special Tax Bonds of STD 2020-1 are secured under the provisions of a Fiscal Agent Agreement and will be payable solely from the Revenues and funds pledged under that agreement. Revenues generally consist of Special Tax Revenues and certain tax increment of the City's Infrastructure Financing District No. 2, Project Area I pledged to the bonds under a Pledge Agreement. These bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on Special Tax Bonds of STD 2020-1.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2021
(Dollars in Thousands)

Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2021, are as follows:

	July 1, 2020	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2021	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 2,152,477	\$ 791,800	\$ (417,586)	\$ 2,526,691	\$ 165,364
Lease revenue bonds.....	121,275	-	(12,145)	109,130	12,790
Sales tax revenue bonds.....	235,330	-	(13,310)	222,020	13,710
Certificates of participation	1,100,255	193,735	(120,125)	1,173,865	32,940
Subtotal.....	3,609,337	985,535	(563,166)	4,031,706	224,804
Issuance premiums / discounts:					
Add: unamortized premiums	314,410	93,427	(42,235)	365,602	-
Total bonds payable, net.....	3,923,747	1,078,962	(605,401)	4,397,308	224,804
Loans.....	21,385	-	(471)	20,914	495
Capital leases	23,490	-	(3,670)	19,820	3,731
Accrued vacation and sick leave pay.....	197,762	147,279	(94,637)	250,404	121,663
Accrued workers' compensation.....	292,131	71,349	(57,658)	305,822	56,729
Estimated claims payable.....	194,137	29,011	(18,295)	204,853	83,426
Governmental activities long-term obligations..	<u>\$ 4,652,652</u>	<u>\$ 1,326,601</u>	<u>\$ (780,132)</u>	<u>\$ 5,199,121</u>	<u>\$ 490,848</u>

	July 1, 2020	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2021	Amounts Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 14,189,675	\$ 2,128,770	\$ (1,798,475)	\$ 14,519,970	\$ 142,465
Clean renewable energy bonds.....	46,174	-	(3,290)	42,884	1,928
Certificates of participation	263,132	-	(12,769)	250,363	13,423
Subtotal.....	14,498,981	2,128,770	(1,814,534)	14,813,217	157,816
Issuance premiums / discounts:					
Add: unamortized premiums	1,389,478	236,031	(182,473)	1,443,036	-
Less: unamortized discounts	(409)	-	256	(153)	-
Total bonds payable, net	15,888,050	2,364,801	(1,996,751)	16,256,100	157,816
Notes, loans, and other payables.....	181,512	72,383	(18,928)	234,967	4,914
Accrued vacation and sick leave pay.....	135,227	81,713	(46,177)	170,763	86,495
Accrued workers' compensation.....	232,496	47,371	(48,750)	231,117	40,621
Estimated claims payable.....	144,537	57,592	(16,627)	185,502	84,110
Business-type activities long-term obligations..	<u>\$ 16,581,822</u>	<u>\$ 2,623,860</u>	<u>\$ (2,127,233)</u>	<u>\$ 17,078,449</u>	<u>\$ 373,956</u>

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. Also, for the governmental activities, claims and judgments, workers' compensation and compensated absences are generally liquidated by the General Fund.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2021
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Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2021 for governmental and business-type activities are as follows:

Governmental Activities ⁽¹⁾								
Fiscal Year	General Obligation		Lease Revenue		Other Long-Term		Total	
Ending	Bonds		Bonds		Obligations			
June 30	Principal	Interest ⁽²⁾	Principal	Interest ⁽³⁾	Principal	Interest	Principal	Interest
2022.....	\$ 165,364	\$ 100,069	\$ 12,790	\$ 2,285	\$ 50,876	\$ 57,923	\$ 229,030	\$ 160,277
2023.....	167,815	92,101	13,255	1,983	57,034	55,007	238,104	149,091
2024.....	170,921	84,414	14,455	1,667	59,601	52,652	244,977	138,733
2025.....	173,156	76,563	13,105	1,315	62,484	50,039	248,745	127,917
2026.....	161,666	68,697	13,730	1,043	63,499	47,332	238,895	117,072
2027-2031...	835,869	239,006	41,795	1,535	343,502	193,720	1,221,166	434,261
2032-2036..	488,630	103,257	-	-	340,006	126,397	828,636	229,654
2037-2041..	175,770	46,162	-	-	281,084	69,834	456,854	115,996
2042-2046...	106,405	25,090	-	-	123,018	23,449	229,423	48,539
2047-2051...	26,775	12,642	-	-	55,515	5,565	82,290	18,207
2052-2056...	31,935	7,492	-	-	-	-	31,935	7,492
2057-2060...	22,385	1,661	-	-	-	-	22,385	1,661
Total.....	<u>\$ 2,526,691</u>	<u>\$ 857,154</u>	<u>\$ 109,130</u>	<u>\$ 9,828</u>	<u>\$ 1,436,619</u>	<u>\$ 681,918</u>	<u>\$ 4,072,440</u>	<u>\$ 1,548,900</u>

Business-Type Activities ⁽¹⁾								
Fiscal Year	Revenue Bonds ^{(4) (5)}		Certificates		Other Long-Term		Total	
Ending	of Participation ⁽⁵⁾		Obligations					
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022.....	\$ 144,393	\$ 667,408	\$ 13,423	\$ 13,730	\$ 4,914	\$ 2,526	\$ 162,730	\$ 683,664
2023.....	338,387	660,270	14,117	13,043	7,023	3,277	359,527	676,590
2024.....	338,390	646,709	14,073	12,289	7,156	3,171	359,619	662,169
2025.....	360,594	633,088	14,753	11,502	7,275	3,060	382,622	647,650
2026.....	415,953	616,501	14,298	10,681	7,722	2,947	437,973	630,129
2027-2031...	1,992,848	2,784,069	74,929	42,309	38,416	12,967	2,106,193	2,839,345
2032-2036..	2,193,759	2,307,000	40,800	26,646	40,663	9,955	2,275,222	2,343,601
2037-2041..	2,949,610	1,730,799	50,579	12,433	41,526	6,987	3,041,715	1,750,219
2042-2046...	2,839,510	1,063,105	13,391	596	44,715	4,048	2,897,616	1,067,749
2047-2051...	2,883,520	376,854	-	-	34,717	1,188	2,918,237	378,042
2052-2056...	72,740	12,661	-	-	840	12	73,580	12,673
2057-2060...	33,150	1,624	-	-	-	-	33,150	1,624
Total.....	<u>\$14,562,854</u>	<u>\$11,500,088</u>	<u>\$ 250,363</u>	<u>\$ 143,229</u>	<u>\$ 234,967</u>	<u>\$ 50,138</u>	<u>\$ 15,048,184</u>	<u>\$ 11,693,455</u>

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) The interest is before the federal subsidy for the General Obligation Bonds Series 2010C and Series 2010D. The subsidy is approximately \$15.7 million and \$3.2 million, respectively, through the year ending 2030. The federal sequester reduction was 5.7% in fiscal year 2021. Future interest subsidy may be reduced as well.

(3) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2 which bear interest at a weekly rate. An assumed rate of 0.02%, together with liquidity fee of 0.350% and remarketing fee of 0.0725% were used to project the interest rate payment in this table.

(4) Debt service for the Airport is per debt service requirement. In the event the letters of credit securing the Airport's outstanding variable rate bonds had to be withdrawn upon to pay such bonds and the amount drawn had to be repaid by the Airport pursuant to the terms of the related agreement with banks providing such letters of credit, the total interest would be \$250.9 million less.

(5) The interest is before the federal subsidy for the San Francisco Water, San Francisco Wastewater and Hetch Hetchy Water and Power. Federal subsidies were reduced by 5.7% or a total reduction of \$21.6 million, \$2.9 million and \$253, respectively, over the life of the bonds, assuming the sequestration rate will remain the same.

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Notes to Basic Financial Statements (Continued)
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Governmental Activities Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the year ended June 30, 2021 are as follows:

Governmental Activities - General Obligation Bonds

Authorized and unissued as of June 30, 2020.....	\$ 2,177,565
Increase in authorization in this fiscal year:	
Health and Recovery	487,500
Subtotal.....	\$ 2,665,065
Bonds issued:	
Series 2020B Transportation and Road Improvement.....	(135,765)
Series 2020C PASS Program-Affordable Housing	(102,580)
Series 2020D1,2 Public Health and Safety	(126,925)
Series 2021A Social Bonds-Affordable Housing	(254,585)
Series 2021B1,2 Earthquake Safety and Emergency Response	(80,715)
Net authorized and unissued as of June 30, 2021	<u>\$ 1,964,495</u>

The increase in the authorized and unissued amount over the last year reflect the \$487.5 million of 2020 Health and Recovery (Proposition A) General Obligation Bonds approved by at least two-thirds of voters at elections held on November 3, 2020. The proceeds of the Health and Recovery bonds will be used to stabilize, improve, and make permanent investments in supportive housing facilities, shelters and/or facilities that deliver services to persons experiencing mental health challenges, substance abuse disorder, and/or homelessness; improve the accessibility, safety and quality of parks, open spaces and recreation facilities; improve the accessibility, safety and condition of the City streets and other public right-of-way and related assets; and to pay related costs.

In September 2020, the City issued General Obligation Bonds Series 2020B (Transportation and Road Improvement) (the Series 2020B) in the amount of \$135.8 million. The Series 2020B bonds bear an interest rate of 2.0% and with principal amortizing from June 2021 through June 2040. The Series 2020B bonds were issued to provide funds to construct, redesign, rebuild streets and sidewalks and to make infrastructure repairs and improvements that increase Muni service reliability, ease traffic congestion, reduce vehicle travel time, enhance pedestrian and bicycle safety, improve disabled access, and to pay certain cost related to the issuance of the Series 2020B bonds.

In November 2020, the City issued Tax-Exempt General Obligation Bonds (Public Health and Safety) Series 2020D-1 (the Series 2020D-1) and Taxable General Obligation Bonds (Public Health and Safety) Series 2020D-2 (the Series 2020D-2) in the amount of \$111.9 million and \$15.0 million, respectively. The Series 2020D-1 bonds bear interest rates of 4.0% and 5.0% and with maturity from June 2021 through June 2045 and the Series 2020D-2 bonds bear an interest rate of 0.3% and matured last December 2020. The proceeds of the Series 2020D-1 and the Series 2020D-2 bonds will be used finance certain public health and safety improvements and related costs, pay capitalized interest through June 2021 and to pay certain costs related to the issuance of the Series 2020D-1 and the Series 2020D-2 bonds.

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Notes to Basic Financial Statements (Continued)
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In December 2020, the City issued General Obligation Bonds (Affordable Housing-Preservation and Seismic Safety) Series 2020C (the Series 2020C) in the amount of \$102.6 million with interest rates ranging from 0.219% to 3.084% and with maturity from June 2021 through June 2060. The Series 2020C bonds were issued to fund loans that finance the acquisition, improvement and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to permanent affordable housing, and pay certain costs related to the issuance of the Series 2020C bonds.

In March 2021, the City issued General Obligation Bonds (Social Bonds-Affordable Housing) Series 2021A (the Series 2021A) in the amount of \$254.6 million. The Series 2021A bonds bear interest rates ranging from 0.093% to 2.894% with principal amortizing from June 2021 through June 2046. The Series 2021A bonds were issued to finance or refinance affordable housing projects within the City, fund direct acquisition and rehabilitation of existing housing units and to pay certain cost related to the issuance of the Series 2021A bonds.

In March 2021, the City issued Tax-Exempt General Obligation Bonds (Earthquake Safety and Emergency Response) Series 2021B-1 (the Series 2021B-1) and Taxable General Obligation Bonds (Earthquake Safety and Emergency Response) Series 2021B-2 (the Series 2021B-2) in the amount of \$69.2 million and \$11.5 million, respectively. The Series 2021B-1 bonds bear interest rates of 4.0% and 5.0% and with maturity from June 2022 through June 2046 and the Series 2021B-2 bonds bear an interest rate of 0.2% and matured in June 2021. The proceeds of the Series 2021B-1 and the Series 2021B-2 bonds will be used to finance certain fire, earthquake, and emergency response improvements and related costs, and to pay certain costs related to the issuance of the Series 2021B-1 and the Series 2021B-2 bonds.

In May 2021, the City issued General Obligation Bonds Series 2021-R1 (the Series 2021-R1) in the amount of \$91.2 million with interest rates of 4.0% and 5.0% and principal maturing from June 2022 through June 2033 to refund certain outstanding general obligation bonds described below and to pay certain costs related to the issuance of the Series 2021-R1 bonds.

General Obligation Bonds, Series 2021-R1

Description of Bonds	Principal Refunded	Maturities Refunded	Redemption Price	Redemption Date
Clean and Safe Neighborhood Parks S2013A	\$ 34,690	2022-2033	100%	6/15/2021
Earthquake Safety and Emergency Response S2013B	14,955	2022-2033	100%	6/15/2021
Road Repaving and Street Safety S2013C	62,425	2022-2033	100%	6/15/2021
Total	<u>\$ 112,070</u>			

On the date of delivery of the Series 2021-R1 bonds, a portion of the proceeds of the bonds in the amount of \$112.1 million plus funds transferred from the debt service fund related to the refunded bonds in the amount of \$2.5 million were deposited with U.S. Bank National Association as escrow agent. The funds deposited and held with the escrow agent, together with investment earnings thereon, were enough to pay the principal and interest on the refunded bonds on the respective redemption dates specified on the table above and the cost of issuance on the Series 2021-R1 bonds.

The refunding resulted in the recognition of an accounting gain of \$11.7 million for the year ended June 30, 2021. The City in effect reduced its aggregate debt service payments by \$25.1 million and obtained a net present value savings of \$23.1 million or 20.61% of the refunded bonds.

The General Obligation Bonds debt service payments are funded through ad valorem taxes on property. The City is obligated to levy ad valorem taxes without limitation as to rate or amount on all real property subject to taxation (except in certain limited circumstances) for the payment of general obligation bonds. No City property is pledged to the repayment of general obligation bonds nor is the City required to maintain a reserve fund for the payment of principal and interest.

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An event of default is the non-payment of interest or principal, when due. Remedies include mandamus action for payment. General Obligation Bonds are not subject to acceleration.

Certificates of Participation

In November 2020, the City issued \$70.6 million Refunding Certificates of Participation Series 2020-R1 (Multiple Capital Improvement Projects) (the Certificates) to provide funds to prepay certain certificates of participation, the proceeds of which financed various capital projects of the City and pay the costs of execution and delivery of the Certificates. The Certificates bear interest rates ranging from 2.0% to 5.0% and will mature from October 2021 through October 2033. The refunding resulted in an accounting gain of \$4.1 million and a net present value saving of \$21.3 million or 24.8% of refunded bonds.

In November 2020, the City issued 2020 Certificates of Participation (Animal Care and Control Project) (the Certificates) in the amount of \$47.1 million, the proceeds of which will be used to: finance or refinance the costs of the acquisition, construction and installation of improvements to the new San Francisco Animal Care and Control Facility; retire certain commercial paper certificates of participation of the City, the proceeds of which financed or refinanced a portion of the costs of the Project; fund the Reserve Fund established under the Trust Agreement for the Certificates; pay capitalized interest through April 2021 and pay costs of issuance of the Certificates. The Series 2020 Certificates bear interest rates of 4.0% and 5.0% with principal amortizing from April 2022 through April 2041.

In May 2021, the City issued Certificates of Participation (Multiple Capital Improvement Projects) Series 2021A (the Certificates) in the amount of \$76.0 million, the proceeds of which will be used to finance or refinance the acquisition of certain real property within the City and the related site demolition and preparation, including through the retirement of certain taxable commercial paper notes of the City issued for such purpose; fund the debt service reserve for the Certificates and pay costs of issuance of the Certificates. The Series 2021A Certificates bear interest rates of 4.0% and 5.0% with principal amortizing from April 2023 through April 2041.

As of June 30, 2021, the City has a total of \$1.17 billion of certificates of participation, excluding business-type activities, payable by pledged revenues from the base rental payments payable by the City. A Reserve Fund has been established for payment of certain COP issuances, equivalent to either 50% or 100% of the lesser of maximum annual debt service, 125% of average annual debt service, or 10% of the original principal amount of the COPs. The total debt service requirement on the certificates of participation is \$1.79 billion payable through April 1, 2050. For the year ended June 30, 2021, principal and interest paid by the City totaled \$34.3 million and \$44.8 million, respectively.

An event of default on every outstanding series of Certificates of Participation, include: (i) the failure to make lease payments when due; or (ii) failure to observe covenants under the respective Project Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Project Lease, including reletting the leased property for the account of the City, or hold the Project Lease and sue each year for rent. Certificates of Participation are not subject to acceleration.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2021 were as follows:

Governmental Activities - Lease Revenue Bonds

Authorized and unissued as of June 30, 2020.....	\$ 196,478
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program....	4,116
Authorized and unissued as of June 30, 2021.....	<u>\$ 200,594</u>

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Finance Corporation

The purpose of the Finance Corporation is to provide a means to publicly finance, through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes.

The Finance Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment, which are in turn leased to the City under the terms of an Indenture and Equipment Lease Agreement. These assets are then recorded in the basic financial statements of the City. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amount that is not applied towards the acquisition or construction of real and personal property such as unapplied acquisition fund, bond issuance costs, funds withheld pursuant to a reserve fund requirement, and amounts designated for capitalized interest are recorded as unearned revenues in the internal service fund until such time it is used for its intended purpose. The unearned amounts are eliminated in the governmental activities statement of net position.

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to a Master Lease Agreement between the City and the Finance Corporation for the use of equipment and facilities acquired, constructed and improved by the Finance Corporation. The total debt service requirement remaining on the lease revenue bonds is \$119.0 million payable through June 2030. For the year ended June 30, 2021, principal and interest paid by the Finance Corporation in the form of lease payments by the City totaled \$12.1 million and \$2.3 million, respectively.

Equipment Lease Program - In the June 5, 1990 election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to \$20.0 million of equipment through a non-profit corporation using tax-exempt obligations. Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to \$20.0 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2021, all the previously issued equipment lease revenue bonds have been repaid. \$86.4 million of unused authorization is still available for new issuance.

Events of Default and Remedies

Moscone Lease Revenue Refunding Bonds, Series 2008-1 and 2008-2 - Events of default as specified in the Indenture include: (i) failure to pay when due the amounts of any drawing, the principal or interest on any Liquidity Advance, or otherwise failure to pay the Credit Bank when due; (ii) failure to observe any covenant or warranty under Credit Agreement; (iii) default on any appropriation debt; (iv) filing for bankruptcy; and (v) downgrade of the City's rating below "BBB" of which could cause acceleration of mandatory tender of bonds. Upon the occurrence of an event of default, the bank's remedies are as follows: (i) to require the City to post collateral up to the stated amount of the letter of credit (except the City has no such right upon bankruptcy event), (ii) declare by notice to the City all amounts due and payable (except such declaration is automatic upon bankruptcy event), (iii) by notice to Trustee declare event of default and cause a mandatory tender of bonds and termination of letter of credit in 15 days; (iv) pursue other rights under Indenture and otherwise available under equity and law.

Emergency Communications System Lease Revenue Refunding Bonds, Series 2010-R1 - Events of default as specified in the Master Trust Agreement include: (i) failure to make lease payments when due; or (ii) failure to observe covenants under the Master Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Master Lease, including the right to terminate the Master Lease, enter the leased property, and remove all persons and property, reletting leased property for account of the City for public purpose, or hold the Master Lease and sue each year for rent. The bonds are not subject to acceleration.

Open Space Fund Lease Revenue Refunding Bonds, Series 2018A and Branch Library Improvement Program Lease Revenue Refunding Bonds, Series 2018B - Events of default as specified in the Project Lease include: (i) failure to make lease payments when due, (ii) or failure to observe covenants under

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the Project Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Project Lease, including reletting property for account of the City, or enforce rights under lease and sue each year for rent. The bonds are not subject to acceleration.

San Francisco County Transportation Authority Long-Term Debt

In November 2017, the San Francisco County Transportation Authority (SFCTA) issued Senior Sales Tax Revenue Bonds, Series 2017 (the Series 2017 Bonds) with a par value of \$248.3 million to finance the cost of construction, acquisition and improvement of certain transit, street and traffic facilities and other transportation projects, repay a portion of the outstanding amount of a revolving credit agreement, pay capitalized interest on a portion of the Series 2017 Bonds and pay cost of issuance of the Series 2017 Bonds. The Series 2017 Bonds bear interest rates ranging from 3.0% to 4.0% and have final maturity date of February 1, 2034. Outstanding principal on June 30, 2021 is \$222.0 million. The Series 2017 Bonds are payable from, and secured by a pledge of the SFCTA's sales tax revenues. Debt service payments of \$21.3 million as a ratio of pledged sales tax revenues of \$86.5 million for the year ended June 30, 2021, was 4.06x or 405.59%. Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants. The Series 2017 Bonds are not subject to acceleration.

Events of Default under the Revolving Credit Agreement include nonpayment events, noncompliance with covenants, default on other specified debt, bankruptcy events, specified litigation events, or a ratings downgrade below Baa2 by Fitch, BBB by Moody's or BBB by S&P. Remedies include acceleration (subject in some, but not all, circumstances to a 270-day notice period) and the termination of the right of the SFCTA to borrow under the Revolving Credit Agreement.

Events of Default and Remedies - Other Long-Term Obligations

Marina West Harbor Loans - Events of default include the failure to make loan payments within 30 days of the due date, or failure to observe or comply with requirements under the Agreement within 180 days of receipt of written notice. Remedies by the Department of Boating and Waterways by the State of California are the repossession of the project area, declaring that the loan is due and payable, and the exercise of all other rights and remedies available by law. The Marina West Harbor Loan is subject to an acceleration provision.

IBM Credit LLC - Events of default include the failure to make lease payments when due, or failure to observe covenants under the Project Lease. Remedies of the lender are repossessing the leased equipment, entering premises to take possession, or enforce rights under Lease, and other remedies available by law. The IBM credit has no acceleration provision.

Public Safety Radio Lease Financing - Events of default include the failure to make lease payments when due, or failure to observe covenants under the Lease Purchase Financing Agreement. Remedies of the lender are repossessing the leased equipment, enforcing rights under the Lease, and other remedies available by law. The Public Safety Radio Lease Financing has no acceleration provision.

Business-Type Activities Long-Term Liabilities

The following provides a brief description of the current year additions to the long-term debt of the business-type activities.

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San Francisco International Airport

Second Series Revenue Bonds (Capital Plan Bonds)

Pursuant to resolutions adopted between fiscal years 2008 and 2021, the Airport has authorized the issuance of up to \$10.8 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes (CP) issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of June 30, 2021, \$4.6 billion of the authorized capital plan bonds remained unissued. No capital plan bonds were issued during fiscal year 2021.

Second Series Revenue Refunding Bonds

Pursuant to resolutions adopted between fiscal years 2005 and 2020, as of June 30, 2021, the Airport has authorized the issuance of up to \$11.1 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding subordinate commercial paper notes, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. As of June 30, 2021, \$1.8 billion of the authorized refunding bonds remained authorized but unissued.

During fiscal year 2021, the Airport issued the following new refunding bonds under the 1991 Master Bond Resolution:

Second Series Revenue Refunding Bonds, Series 2020A, 2020B, and 2020C

In August 2020, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2020A (AMT), Series 2020B (Non-AMT/Governmental Purpose), and Series 2020C (Federally Taxable), in aggregate principal amount of \$291.3 million to refund a combined \$337.1 million of its Series 2010C, Series 2010D, Series 2010F, Series 2010G, Series 2011C, Series 2011F and Series 2011G Bonds, to finance deposits to the reserve account, and to pay costs of issuance.

The net proceeds of the Series 2020A, Series 2020B, and Series 2020C, together with \$21.4 million accumulated in the debt service fund and reserve fund relating to the refunded bonds were used to deposit \$346.6 million into redemption accounts and escrow funds with the Senior Trustee to refund \$337.1 million in revenue bonds as described below, \$3.9 million to deposit into the reserve account, and \$1.0 million to pay costs of issuance.

	<u>Amount refunded</u>	<u>Interest rate</u>
Second Series Revenue Bonds Issue:		
Series 2010C (Non-AMT/Governmental Purpose)	\$ 56,645	4.00 - 5.00%
Series 2010D (Non-AMT/Private Activity)	25,685	4.00 - 5.00%
Series 2010F (Non-AMT/Private Activity)	121,200	5.00%
Series 2010G (Non-AMT/Governmental Purpose)	7,100	5.00%
Series 2011C (AMT)	110,030	5.00%
Series 2011F (AMT)	13,230	5.00%
Series 2011G (Non-AMT/Governmental Purpose)	3,240	5.00%
Total	<u>\$ 337,130</u>	

The Series 2010C, 2010D, 2010F, and 2010G Bonds were redeemed on August 21, 2020, and the Series 2011C, 2011F, and 2011G Bonds were redeemed on May 1, 2021.

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In aggregate, the Series 2020A/B/C refundings resulted in the recognition of a deferred accounting loss of \$7.7 million for the fiscal year ended June 30, 2021. Notably, the Series 2020A/B/C refundings decreased the Airport's aggregate gross debt service payments by approximately \$189.9 million over the first eleven years and obtained an economic gain (the difference between the present values of the debt service on the old debt and the new debt) of \$29.1 million.

Second Series Revenue Refunding Bonds, Series 2021A, 2021B, and 2021C

In April 2021, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2021A (AMT), Series 2021B (Non-AMT/Governmental Purpose), and Series 2021C (Federally Taxable) in aggregate principal amount of \$547.1 million to refund a combined \$402.9 million of its Series 2011C, Series 2011D, Series 2011F, Series 2011G, Series 2011H, Series 2013A, Series 2016A, Series 2016D, Series 2017D, Series 2018A, Series 2019C, Series 2019G, and Series 2019H Bonds, to repay \$230.0 million of CP Notes, to finance deposits to the reserve account, and to pay costs of issuance.

The net proceeds of the Series 2021A, Series 2021B, and Series 2021C, together with \$9.7 million accumulated in the debt service fund relating to the refunded bonds were used to deposit \$419.8 million into redemption accounts and escrow funds with the Senior Trustee to refund \$402.9 million in revenue bonds as described below, \$230.0 million to repay outstanding CP notes, \$7.5 million to deposit into the reserve account, and \$1.3 million to pay costs of issuance. The CP notes had been used to reimburse the Airport for capitalized interest on revenue bonds, to defease outstanding revenue bonds, and for other purposes.

	<u>Amount refunded</u>	<u>Interest rate</u>
Second Series Revenue Bonds Issue:		
Series 2011C (AMT)	\$ 19,025	5.00%
Series 2011D (Non-AMT/Governmental Purpose)	84,865	5.00%
Series 2011F (AMT)	110,090	5.00%
Series 2011G (Non-AMT/Governmental Purpose)	26,420	5.00 - 5.25%
Series 2011H (Taxable)	2,495	4.15%
Series 2013A (AMT)	6,940	5.00%
Series 2016A (Non-AMT/Governmental Purpose)	30,990	3.00 - 5.00%
Series 2016D (Non-AMT/Governmental Purpose)	17,665	5.00%
Series 2017D (AMT)	22,990	5.00%
Series 2018A (AMT)	26,435	5.00%
Series 2019C (Taxable)	27,990	3.05%
Series 2019G (Taxable)	8,915	1.78%
Series 2019H (AMT)	18,125	5.00%
Total	<u>\$ 402,945</u>	

The Series 2011C, 2011D, 2011F, and 2011G Bonds were redeemed on May 3, 2021, and the Series 2011H, 2013A, 2016A, 2016D, 2017D, 2018A, 2019C, 2019G, and 2019H Bonds will be paid at maturity on May 1, 2022.

In aggregate, the Series 2021A/B/C refundings resulted in the recognition of a deferred accounting loss of \$11.9 million for the fiscal year ended June 30, 2021. In aggregate, the Series 2021A/B/C refundings decreased the Airport's aggregate gross debt service payments by approximately \$367.0 million over the first eleven years and obtained an economic loss (the difference between the present values of the debt service of the old debt and the new debt) of \$47.6 million.

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Variable Rate Demand Bonds

As of June 30, 2021, the Airport had outstanding an aggregate principal amount of \$401.9 million, consisting of Second Series Variable Rate Revenue Refunding Bonds, Series 2010A, and Second Series Variable Rate Revenue Bonds, Series 2018B and Series 2018C, (collectively, the “Variable Rate Bonds”) with final maturity dates of May 1, 2030 (Series 2010A), and May 1, 2058 (Series 2018B and 2018C). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days’ notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport.

The scheduled payment of the principal of and interest on, and payment of purchase price of, the Variable Rate Bonds is secured by separate irrevocable letters of credit issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the table below.

Amounts drawn under a letter of credit that are not reimbursed by the Airport constitute “Repayment Obligations” under the 1991 Master Bond Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the letters of credit range between 0.28% and 0.39% per annum. As of June 30, 2021, there were no unreimbursed draws under these facilities.

The letters of credit securing the Variable Rate Bonds included in long-term debt as of June 30, 2021, are as follows:

	<u>Series 2010A</u>	<u>Series 2018B</u>	<u>Series 2018C</u>
Principal amount	\$ 125,605	\$ 138,170	\$ 138,170
Expiration date	April 14, 2023	June 3, 2022	June 3, 2022
Credit provider	Bank of America ⁽¹⁾	Barclays ⁽²⁾	SMBC ⁽³⁾

(1) Bank of America, N.A.

(2) Barclays Bank PLC

(3) Sumitomo Mitsui Banking Corporation, acting through its New York branch

Hotel Special Facility Bonds

Pursuant to resolutions adopted in fiscal years 2017, 2018 and 2019, the Airport authorized the issuance of \$260.0 million of Special Facility Bonds to finance an on-Airport Hotel. These resolutions also designated the on-Airport Hotel as a “Special Facility” under the 1991 Master Bond Resolution, which allows the hotel revenues to be segregated from the Airport’s other revenues and used to pay hotel operating expenses and debt service on the Hotel Special Facility Bonds through the Hotel Special Facility Bond trustee. In June 2018, the Airport issued its fixed rate Special Facility Revenue Bonds (San Francisco International Airport Hotel), Series 2018 (Hotel Special Facility Bonds), in the aggregate principal amount of \$260.0 million to finance the on-Airport Hotel and to fund a capitalized interest account.

The Hotel Special Facility Bonds are issued pursuant to a Trust Agreement (Hotel Trust Agreement). In February 2021, the Hotel Special Facility Bonds and the trust agreement pursuant to which they were issued were amended and restated, including to delay the initial principal repayment until April 1, 2025 (instead of April 1, 2022) and temporarily reduce the interest rate on the Hotel Special Facility Bonds from 3.00% to 0.086% from April 1, 2020 through September 30, 2023. The interest rate will

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then increase incrementally until it is restored to 3.00% beginning on April 1, 2029. In addition, the amendments provided that October 1, 2020 is no longer an interest payment date, and there is no requirement to pay interest accrued on the Hotel Special Facility Bonds until October 1, 2023. The maximum principal amount of the Hotel Special Facility Bonds is not limited by the Hotel Trust Agreement, but the Airport must satisfy an additional bonds test prior to the issuance of any such bonds.

The Hotel Special Facility Bonds are limited obligations of the Airport. Under the Hotel Trust Agreement, the Airport has pledged the Revenues of the on-Airport Hotel, together with other assets, to the payment of the principal of and interest on the Hotel Special Facility Bonds. Revenues are generally defined in the Hotel Trust Agreement as all revenue and income of any kind derived directly or indirectly from operations at the on-Airport Hotel (not including certain amounts specified in the Hotel Trust Agreement). Operating expenses of the on-Airport Hotel are payable prior to payment of principal of and interest on the Hotel Special Facility Bonds. The Airport does not maintain a reserve account for the Hotel Special Facility Bonds. The Hotel Special Facility Bonds are subject to acceleration upon the occurrence of an event of default. Events of default include nonpayment events, bankruptcy events, noncompliance with covenants, condemnation of the hotel, or a failure by the Airport to maintain a third-party manager for the hotel. The Hotel Special Facility Bonds are not payable from or secured by the Airport's Net Revenues (as defined under the 1991 Master Bond Resolution). However, because the Airport is the owner of the on-Airport Hotel, the Airport is obligated to repay the Hotel Special Facility Bonds from the net revenues of the hotel. As of June 30, 2021, the Airport had \$260.0 million of outstanding Hotel Special Facility Bonds.

Interest Rate Swaps

As of June 30, 2021, the Airport's derivative instrument comprised of one interest rate swap that the Airport entered into to hedge the interest payments on its Second Series Variable Rate Revenue Refunding Bonds, Series 2010A. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swap continued to be effective as of June 30, 2021.

No.	Current bonds	Initial notional amount	Notional amount June 30, 2021	Effective date
1	2010A*	\$ 143,947	\$ 125,587	2/1/2010
	Total	<u>\$ 143,947</u>	<u>\$ 125,587</u>	

* Hedges Series 2010A - 1 and 2010A - 2.

Fair Value

The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the swap. All values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swap to arrive at the so-called "settlement amount", i.e., the approximate amount a party would have to pay or would receive if the swap was terminated.

In addition, pursuant to GASB Statement No. 72, the settlement amounts are then adjusted for the nonperformance risk of each party to the swap to arrive at the fair value. The nonperformance risk was computed as the total cost of the transactions required to hedge the default exposure, i.e., a series of European swaptions, exercisable on each of the future payment exchange dates under the swap that are structured to reverse the remaining future cash flow obligations as of such dates, adjusted by probability of default on each future date. Default probabilities were derived from recovery rate adjusted credit default swap quotes or generic ratings based borrowing curves that fall into Level 2 of the GASB Statement No. 72 fair value hierarchy.

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As of June 30, 2021, the fair value of the Airport's outstanding swap, counterparty credit ratings, and fixed rate payable by the Airport is shown in the following table. Since the swap is guaranteed, the guarantor ratings are shown. The ratings provided are S&P's Long-Term Local Issuer Credit Rating, Moody's Long-Term Senior Unsecured Rating, and Fitch's Long-Term Issuer Default Rating.

No.	Current bonds	Counterparty/guarantor*	Counterparty credit ratings (S/M/F)	Fixed rate payable by Airport	Fair value to Airport
1	2010A**	Goldman Sachs Bank USA/ Goldman Sachs Group, Inc.	BBB+/A2/A*	3.925%	\$ (21,374)
		Total			<u>\$ (21,374)</u>

* Reflects ratings of the guarantor.

** Hedges Series 2010A - 1 and 2010A - 2.

Fair Value Hierarchy

	Fair Value June 30, 2021	Fair value measurements using significant other observable inputs (Level 2)
Interest rate swaps	\$ (21,374)	\$ (21,374)

Change in Fair Value

The impact of the interest rate swaps on the financial statements for the year ended June 30, 2021 is as follows:

	Deferred outflows on derivative Instruments	Derivative instruments
Balance as of June 30, 2020	\$ 28,221	\$ 28,221
Change in fair value to year-end	(6,847)	(6,847)
Balance as of June 30, 2021	<u>\$ 21,374</u>	<u>\$ 21,374</u>

The fair value of the interest rate swap is recorded as a liability (since the Airport would owe a termination payment to the counterparty) in the statement of net position. Unless a swap was determined to be an off-market swap at the inception of its hedging relationship, the fair value of the swap is recorded as a deferred outflow asset (if a termination payment would be due to the counterparty) or inflow liability (if a termination payment would be due to the Airport). Any off-market portions of the Airport's swaps are recorded as carrying costs with respect to various refunded bond issues. Unlike fair value and deferred inflow/outflow values, the balance of remaining off-market portions are valued on a present value, or fixed yield, to maturity basis. The difference between the deferred outflows and derivative instruments presented in the table above constitutes the unamortized off-market portions of the swaps as of June 30, 2021.

Basis Risk – During the year ended June 30, 2021, the Airport paid a total of \$0.4 million less in interest on its variable rate bonds than the floating-rate payments it received from the swap counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

Credit Risk – As of June 30, 2021, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport.

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Counterparty Risk – As of June 30, 2021, the fair value of the Airport's swap was negative to the Airport (representing an amount payable by the Airport to each counterparty in the event the relevant swap was terminated).

Termination Risk – The Airport has not secured municipal swap insurance for its outstanding swap.

As of June 30, 2021, the fair value of the swap was negative to the Airport as shown above.

Debt Service Reserves and Requirements

Issue 1 Reserve Account - As of June 30, 2021, the reserve requirement for the Issue 1 Reserve Account was \$522.0 million, which was satisfied by \$553.1 million of cash and investment securities, and reserve fund surety policies in the initial principal amount of \$108.6 million. All of the providers of such reserve policies have one or more credit ratings below the Airport's rating or are no longer rated. In addition, \$27.5 million of such surety policies have likely experienced a reduction in value in accordance with their terms.

2017 Reserve Account - As of June 30, 2021, the reserve requirement for the 2017 Reserve Account was \$45.9 million, which was satisfied by \$56.0 million in cash and investment securities.

Series Not Secured by Reserve Accounts - The Airport does not maintain reserve accounts for its Second Series Variable Rate Revenue Refunding Bonds, Series 2010A and Series 2018B/C, all of which are secured by letters of credit.

Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants, including the rate covenants described below. The bonds are not subject to acceleration.

Payment of principal, interest and purchase price of bonds that bear interest at variable interest rates are supported by letters of credit. Events of default with respect to the letters of credit supporting the bonds include nonpayment events, bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1991 Master Bond Resolution, or a determination of taxability of interest on tax-exempt bonds supported by the letter of credit. A downgrade of the Airport's Senior Bonds to below "Baa1" or "BBB+" or withdrawal or suspension of a bond rating for credit-related reasons by any rating agency is an event of termination under the letters of credit supporting the bonds. Remedies include the letter of credit bank's ability to cause a mandatory tender of the supported bonds or to accelerate amounts due and payable to the bank; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution. If there are no default events pending, drawings under the respective letters of credit supporting the bonds are amortized over a three- or five-year period; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution.

San Francisco Water Enterprise

Water Revenue Bonds 2020 Series ABCD

In September 2020, the Water Enterprise issued tax-exempt revenue bonds, 2020 Series ABCD in the aggregate amount of \$346.8 million. The purpose of the 2020 Series ABCD Bonds was to refund approximately \$229.8 million aggregate principal amount of CP notes and to provide \$164.6 million new money for various capital projects of the Water Enterprise, and capital projects of Hetch Hetchy Water. The bonds carried "Aa2" and "AA-" ratings from Moody's and S&P, respectively. The 2020 Series ABCD bonds include term bonds with coupons of 3.0% to 5.0% and final maturities from 2045 to 2050.

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The \$150.9 million 2020 Series A bonds were issued as tax-exempt Green Bonds to refund approximately \$180.0 million of CP notes for WSIP capital projects. The Series A bonds were issued as term bonds with coupons of 4.0% and 5.0% and a final maturity of 2050. As of June 30, 2021, the principal amount of 2020 Series A bonds outstanding was \$150.9 million.

The \$61.4 million Series B bonds were issued as tax-exempt bonds to provide \$69.6 million in new money for Water Enterprise capital projects (non-WSIP, Regional). The Series B bonds were issued as term bonds with coupons of 5.0% and have a final maturity of 2050. As of June 30, 2021, the principal amount of 2020 Series B bonds outstanding was \$61.3 million.

The \$85.3 million Series C bonds were issued as tax-exempt bonds to provide \$94.9 million in new money for Water Enterprise capital projects (non-WSIP, Local). The Series C bonds were issued as term bonds with coupons of 4.0% and have a final maturity of 2050. As of June 30, 2021, the principal amount of 2020 Series C bonds outstanding was \$85.3 million.

The \$49.2 million Series D bonds were issued as tax-exempt bonds to refund approximately \$49.8 million of CP notes for Hetch Hetchy Water capital projects. The Series D bonds were issued as term bonds with coupons of 3.0% and a final maturity of 2050. As of June 30, 2021, the principal amount of 2020 Series D bonds outstanding was \$49.2 million.

Water Revenue Refunding Bonds 2020 Series EFGH

In October 2020, the Water Enterprise issued taxable revenue bonds, 2020 Series EFGH refunding bonds in the aggregate amount of \$664.4 million. The 2020 Series E (WSIP, Green) bonds were issued for the purpose of refunding a portion of the outstanding 2010 Series D (WSIP) bonds maturing on and after November 1, 2020, a portion of the outstanding 2012 Series A (WSIP) bonds maturing on and after November 1, 2038, and a portion of the outstanding 2017 Series A (WSIP) bonds maturing on and after November 1, 2030.

The 2020 Series F (non-WSIP, Regional) bonds were issued for the purpose of refunding a portion of the outstanding 2017 Series B bonds maturing on or after November 1, 2030.

The 2020 Series G (non-WSIP, Local) bonds were issued for the purpose of refunding a portion of the outstanding 2010 Series D bonds maturing on or after November 1, 2020, a portion of the 2011 Series D bonds maturing on or after November 1, 2022, a portion of 2012 Series B bonds maturing on or after November 1, 2031, and a portion of 2012 Series C bonds maturing on or after November 1, 2025.

The 2020 Series G (non-WSIP, Local) bonds were issued for the purpose of refunding a portion of the outstanding 2010 Series D bonds maturing on or after November 1, 2020, a portion of the 2011 Series D bonds maturing on or after November 1, 2022, a portion of 2012 Series B bonds maturing on or after November 1, 2031, and a portion of 2012 Series C bonds maturing on or after November 1, 2025.

The 2020 Series H (Hetch Hetchy Water) bonds were issued for the purpose of refunding a portion of the outstanding 2017 Series C bonds maturing on or after November 1, 2030.

The bonds carried "Aa2" and "AA-" ratings from Moody's and S&P, respectively. The 2020 Series EFGH bonds include serial bonds and term bonds with interest rates varying from 0.3% to 3.1% and have a final maturity in 2047. The refunding resulted in the recognition of a deferred accounting loss of \$27.0 million, gross debt service savings of \$117.1 million and an economic gain of \$75.2 million or 12.0% of refunded principal. As of June 30, 2021, the principal amount of 2020 Series EFGH bonds outstanding was \$664.4 million.

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Clean Water State Revolving Fund (CWSRF) Loan and Grant

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan and Grant to fund the Water Enterprise's SF Westside Recycled Water Project. The CWSRF loan is in the amount of \$186.2 million, which includes \$15.0 million of principal forgiveness, or a grant. It will bear an interest rate of 1.0% for a 30-year term, with loan repayment beginning one year after substantial completion of project construction. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The principal outstanding as of June 30, 2021 was \$107.4 million. In addition, there was \$15.0 million of principal forgiveness.

Events of Default and Remedies

Revenue Bonds, Capital Appreciation Bonds and State Revolving Fund Loans - Events of default as specified in the Water Enterprise Indenture, include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners, by aggregate amount of the bond obligations or of a credit provider), declaring the principal and the interest accrued thereon, and of all Capital Appreciation Bonds then outstanding, in the amount of the Accreted Value thereof, to be due and payable immediately. As of June 30, 2021, there were no such events described herein.

Hetch Hetchy Water and Power

Events of Default and Remedies

Clean Renewable Energy Bonds - Significant event of default as specified in the Equipment Lease/Purchase Agreement, include payment defaults, material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods), and bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded by the proceeds of this debt obligation are pledged as collateral. As of June 30, 2021, there were no such events described herein.

Qualified Energy Conservation Bonds - Significant event of default as specified in the Equipment Lease/Purchase Agreement, include payment defaults, material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods), and bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded by the proceeds of this debt obligation are pledged as collateral. As of June 30, 2021, there were no such events described herein.

Power Revenue Bonds - Significant event of default as specified in the Power Enterprise Indenture (applicable to Power Revenue Bonds) include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners by aggregate amount of the bond obligations) declare the principal and the interest accrued thereon to be due and payable immediately. As of June 30, 2021, there were no such events described herein.

San Francisco Municipal Transportation Agency

Series 2021A and B Revenue Refunding Bonds

In February 2021, the SFMTA issued Revenue Refunding Bonds, Series 2021A and B in the total amount of \$174.9 million to refund all outstanding Series 2012A and B, Series 2013, and Series 2014 revenue bonds. The Series 2021A bonds bear interest at fixed rates ranging from 0.249% and 2.804% and have a final maturity of March 2044. The Series 2021B bonds bear an interest rate of 4.0% and have a final maturity of March 2031.

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The net proceeds of \$175.3 million was deposited into irrevocable escrow funds with the Trustee to defease and refund \$156.2 million in revenue bonds described below:

Description of Bonds	Refunded	Rate	Price
Revenue Bonds Series 2012A	\$ 11,690	5.0%	100%
Revenue Bonds Series 2012B	25,835	3.0% - 5.0%	100%
Revenue Bonds Series 2013	56,190	4.0% - 5.0%	100%
Revenue Bonds Series 2014	62,495	3.5% - 5.0%	100%
Total	<u>\$ 156,210</u>		

The refunded bonds were defeased and redeemed in March 2021. Accordingly, the liabilities for these bonds have been removed from the accompanying statement of net position. Although the refunding resulted in the recognition of a deferred accounting loss of \$0.9 million, the SFMTA obtained an economic gain (the difference between the present value of the old debt and the new debt) of \$24.5 million or 15.7% of the refunded bonds.

Series 2021C Revenue Bonds

In March 2021, the SFMTA issued its Revenue Bonds, Series 2021C with a par value of \$104.3 to fund various transit and parking capital projects for the SFMTA. The Series 2021C bonds bear interest at fixed rates between 4.0% to 5.0% and with final maturity of March 2051.

Portsmouth Plaza Parking Corporation and Japan Center Garage Corporation Loan

In October 2016, the Portsmouth Plaza Parking Corporation entered into a loan agreement with First Republic Bank in a total principal amount of up to \$12.5 million for the garage renovation project. The loan agreement was amended in February 2019 to reduce the maximum loan amount to \$12.0 million. The drawdowns are limited to once a month for a minimum of \$0.25 million each disbursement. The loan has a term of 30 years at 3.3% per annum and is secured with the collateral of all the garage's business assets. The loan agreement requires the corporation to maintain a reserve account restricted for repayment of the loan. As of June 30, 2021, the reserve account held by the lender totaled \$0.2 million.

In fiscal year 2021, the two remaining nonprofit parking garage corporations obtained Small Business Administration's (SBA) Paycheck Protection Program (PPP) loans. PPP loans have a fixed interest rate of 1.0% per annum with no collateral requirement, with two-year maturity for loans issued prior to June 5, 2020 and five-year maturity for loans issued thereafter. The program allows borrowers to apply for loan forgiveness to cover eligible expenses incurred. Loan payments shall be deferred until SBA remits the loan forgiveness amount to the lender. For any amount of the loan that is not forgiven, the borrowers shall be responsible for the payment of principal and accrued interest within the term of the loan. Portsmouth Plaza Parking Corporation obtained PPP loans through First Republic Bank of \$0.2 million in April 2021. Japan Center Garage Corporation obtained PPP loans through California Bank & Trust of \$0.1 million in February 2021.

The SFMTA is not responsible for loan repayments and any aspect of loan performance other than reporting on behalf of another government entity. The total loan balances of the two nonprofit parking garage corporations were \$11.9 million as of June 30, 2021.

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Events of Default and Remedies

Revenue Bonds – Events of default under the indenture of trust include failure to pay the principal amount and any installment of interest, failure to pay the purchase price of any bond tendered for optional or mandatory purchase, failure to comply with certain covenants, or either the SFMTA or the City files for bankruptcy. In an event of default, the trustee may declare the principal amount of all the bonds outstanding and interest accrued thereon to be due and payable immediately. In case any proceeding taken by the trustee on account of an event of default is discontinued, the SFMTA, trustee, and bondholders shall be restored to their former positions and rights as if no such proceeding had been taken.

Portsmouth Plaza Parking Corporation Loan – In an event of default under the loan agreement, any outstanding amounts become immediately due if the garage is unable to make payment and fails to comply with the debt service coverage ratio of 1.25:1 for each fiscal year.

Wastewater Enterprise

Lake Merced Green Infrastructure Project CWSRF Loan

In January 2016, then amended in May 2016, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan to fund the Lake Merced Green Infrastructure Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$7.4 million. The loan bears an interest rate of 1.6% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in October 2020. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling \$6.1 million and a construction period interest of \$0.17 million transferred to principal. As of June 30, 2021, the principal amount outstanding of the loan was \$6.3 million.

Southeast Plant (SEP) 521/522 and Disinfection Upgrade Project CWSRF Loan

In September 2017, then amended in December 2017 and May 2018, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP 521/522 and Disinfection Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$40.0 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in July 2019. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling \$39.7 million. As of June 30, 2021, the principal amount outstanding of the loan was \$38.5 million.

North Point Facility Outfall Rehabilitation Project CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the North Point Facility Outfall Rehabilitation Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$20.2 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in February 2018. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue

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bonds. The SFPUC has received proceeds from loan disbursements to date totaling \$17.7million. As of June 30, 2021, the principal amount outstanding of the loan was \$16.2 million.

Southeast Plant (SEP) Primary/Secondary Clarifier Upgrade Project CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Primary/Secondary Clarifier Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$34.4 million. The loan bears an interest rate of 0.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in June 2018. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling \$29.2 million. As of June 30, 2021, the principal amount outstanding of the loan was \$26.8 million.

Oceanside (OSP) Digester Gas Utilization Upgrade Project

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the OSP Digester Gas Utilization Upgrade Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of \$54.4 million, which includes \$4.0 million of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in August 2021. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. As of June 30, 2021, the principal amount outstanding of the loan was \$20.8 million.

Events of Default and Remedies

Wastewater Revenue Bonds, SRF Loans, and WIFIA Loan - Events of default as specified in the Wastewater Enterprise Indenture include non-payment, material breach of warranty, representation, or indenture covenants which are not cured within applicable grace periods, and bankruptcy and insolvency events. The trustee, upon written request, by majority of the owners (by aggregate amount of the bond obligations or of a credit provider), shall declare the principal and interest accrued thereon, to be due and payable immediately. As of June 30, 2021, there were no such events described herein.

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(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

General Information About the Pension Plans – The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension plan (SFERS Plan), which covers substantially all of the employees of the City and County of San Francisco, and certain classified and certificated employees of the San Francisco Community College and Unified School Districts, and San Francisco Trial Court employees other than judges. The San Francisco City and County Charter and the Administrative Code are the authority which establishes and amends the benefit provisions and employer obligations of the SFERS Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the SFERS Plan. That report may be obtained on the Retirement System's website at <http://mysfers.org> or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

Replacement Benefits Plan – The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Trust. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415(b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

In addition, some City employees are eligible to participate in the Public Employees' Retirement Fund (PERF) of the California Public Employees' Retirement System (CalPERS) Safety Plan, an agent multi-employer pension plan, or the CalPERS Miscellaneous Rate Plan, included in CalPERS public agency cost-sharing multiple-employer pension plan. Some employees of the Transportation Authority, a blended component unit, and the Successor Agency, a fiduciary component unit, are eligible to participate in a CalPERS Miscellaneous Rate Plan or a CalPERS Public Employees' Pension Reform Act (PEPRA) Miscellaneous Rate Plan, both rate plans are included in CalPERS public agency cost-sharing multiple-employer pension plan. In addition, some employees of the Treasure Island Development Authority, a discretely presented component unit, are eligible to participate in the CalPERS Miscellaneous Rate Plan included in CalPERS public agency cost-sharing multiple-employer pension plan.

CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute, employer contract with CalPERS, by City resolution and resolution of component units. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

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Benefits

SFERS – The SFERS Plan provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The SFERS Plan also provides pension continuation benefits to qualified survivors. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City. The four main categories of SFERS Plan members are:

- Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's Department, and miscellaneous safety employees hired on and after January 7, 2012.
- Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are summarized as follows:

Miscellaneous Non-Safety Members who became members prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Miscellaneous Non-Safety Members who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Miscellaneous Non-Safety Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 53 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Sheriff's Department Members and Miscellaneous Safety Members who were hired on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members before November 2, 1976 qualify for a service retirement benefit if they are at least 50 years old and have at least 25 years of credited service. The service retirement benefit is calculated using the member's final compensation (monthly salary earnable at the rank or position the member held for at least one year immediately prior to

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retiring) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after November 2, 1976 and prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All members' qualified surviving spouses and qualified domestic partners are eligible to apply for death benefits prior to or after member's retirement.

Death benefit prior to retirement generally, upon death of the active member who is eligible for a service retirement, qualified surviving spouse and qualified domestic partner receives continuation benefits equal to 50% to 100% of the member's retirement allowance that the member would have received had he or she retired on the date of death. The qualified surviving spouses and qualified domestic partners of Safety members who die prior to becoming eligible for service retirement and whose death is due to an injury received in or illness caused by the performance of duty, salary continuation is provided to the qualified survivor until such time as the member would have qualified for service retirement had he or she lived at which time a continuation benefit equal to 100% of the member's service retirement allowance is provided to the qualified survivor. A lump sum death payment equal to 6 months' earnable salary plus the member's accumulated contributions is provided upon the death of an active employee not yet eligible for a service retirement to the member's named beneficiary or estate.

Death benefit after retirement generally, upon the death of a retired member, the retirement system provides continuation benefits to a qualified surviving spouse or qualified domestic partner equal to 50% to 100% of the member's retirement allowance as of the date of death.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2%. The SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provisions of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012,

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members who retired before November 6, 1996 will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the “full funding” requirement does not apply to members who retired on or after November 6, 1996 and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even when an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

CalPERS – CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on a final compensation, which is the highest average pay rate and special compensation during any consecutive one-year or three-year period. The cost-of-living adjustments for the CalPERS plans are applied as specified by the Public Employees’ Retirement Law. The California PEPRA, which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such, members who established CalPERS membership on or after January 1, 2013 are known as “PEPRA” members.

The CalPERS’ provisions and benefits in effect at June 30, 2021, are summarized as follows:

	City Miscellaneous Plan		City Safety Plan	
	Prior to January 1, 2013	On or after January 1, 2013*	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 60		2% @ 50, 2% @ 55, or 3% @ 55	2% @ 57 or 2.7% @ 57
Benefit vesting schedule	5 years of service		5 years of service	5 years of service
Benefit payments	Monthly for life		Monthly for life	Monthly for life
Required employee contribution rates	5.00%		7.00% to 9.00%	10.75% to 13.75%
Required employer contribution rates	11.93%		23.94%	23.94%

** For the City Miscellaneous Plan there are no current active employees hired on or after January 1, 2013. For the Treasure Island Miscellaneous Plan there are no current active employees.*

	Transportation Authority Miscellaneous Plan		Successor Agency Miscellaneous Plan	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Required employee contribution rates	7.00%	6.75%	7.00%	7.25%
Required employer contribution rates	11.03%	7.73%	11.82%	7.85%

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At June 30, 2021, the following current and former employees were covered by the benefit terms under each pension plan:

	SFERS Plan	City CalPERS Miscellaneous Plan	City CalPERS Safety Plan	Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	Treasure Island Development Authority CalPERS Miscellaneous Plan
Inactive employees or beneficiaries currently receiving benefits.....	30,854	66	1,182	15	190	1
Inactive employees entitled to but not yet receiving benefits.....	11,126	-	290	61	152	-
Active employees.....	33,644	2	756	37	46	-
Total.....	75,624	68	2,228	113	388	1

Contributions

For the year ended June 30, 2021, the City's actuarial determined contributions were as follows:

SFERS Plan.....	\$ 791,736
City CalPERS Miscellaneous Plan.....	-
City CalPERS Safety Plan.....	51,185
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans.....	606
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.....	2,299
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	8
Total.....	<u>\$ 845,834</u>

SFERS – Contributions are made to the basic SFERS Plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2021 varied from 7.5% to 13.0% as a percentage of gross covered salary. For the year ended June 30, 2021, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2019 actuarial report, the required employer contribution rates for fiscal year 2021 were 22.40% to 26.90%.

CalPERS – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the PERF are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

Replacement Benefits Plan – The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid \$3.0 million replacement benefits in the year ended June 30, 2021.

Pension liabilities are financed by governmental funds and enterprise funds that are responsible for the charges.

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Net Pension Liability

The table below shows how the net pension liability (NPL) as of June 30, 2021 is distributed.

Governmental activities.....	\$ 3,385,806
Business-type activities.....	2,228,215
Fiduciary funds.....	32,279
Component Unit - Treasure Island Development Authority....	21
Total.....	<u>\$ 5,646,321</u>

As of June 30, 2021, the City's NPL is comprised of the following:

	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan.....	94.3903%	\$ 5,107,273
City CalPERS Miscellaneous Plan.....	-0.1489%	(16,206)
City CalPERS Safety Plan.....	N/A	335,092
Transportation Authority CalPERS Classic & PEPRAs Miscellaneous Plans.	0.0244%	2,659
Successor Agency CalPERS Classic & PEPRAs Miscellaneous Plans.....	0.2967%	32,279
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	0.0002%	21
Replacement Benefits Plan.....	N/A	185,203
Total.....		<u>\$ 5,646,321</u>

The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The City's NPL for each of its cost-sharing plans is measured as of June 30, 2020, and the total pension liability for each cost-sharing plan used to calculate the NPLs was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The City's proportion of the NPL for the SFERS Plan was based on the City's long-term share of contributions to SFERS relative to the projected contributions of all participating employers, actuarially determined. The City's proportions of the NPL for the CalPERS plans were actuarially determined as of the valuation date.

The City's proportionate share and NPL of each of its cost-sharing plans as of June 30, 2020 and 2019 were as follows:

	June 30, 2020 (Measurement Date)		June 30, 2019 (Measurement Date)	
	Proportionate Share	Share of Net Pension Liability (Asset)	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan.....	94.3903%	\$ 5,107,273	94.1288%	\$ 4,213,809
City CalPERS Miscellaneous Plan.....	-0.1489%	(16,206)	-0.1541%	(15,793)
Transportation Authority CalPERS Classic & PEPRAs Miscellaneous Plans.	0.0244%	2,659	0.0230%	2,352
Successor Agency CalPERS Classic & PEPRAs Miscellaneous Plans.....	0.2967%	32,279	0.2908%	29,803
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	0.0002%	21	0.0002%	25
Total.....		<u>\$ 5,126,026</u>		<u>\$ 4,230,196</u>

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The City's NPL for the CalPERS City Safety Plan (agent plan) is measured as the total pension liability, less the CalPERS Safety Plan's fiduciary net position. The change in the NPL for the City CalPERS Safety Plan is as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2019 (MD).....	\$ 1,460,539	\$ 1,142,641	\$ 317,898
Change in year:			
Service cost.....	29,508	-	29,508
Interest on the total pension liability.....	102,990	-	102,990
Differences between expected and actual experience.....	(1,465)	-	(1,465)
Contributions from the employer.....	-	49,455	(49,455)
Contributions from employees.....	-	8,947	(8,947)
Net investment income.....	-	57,048	(57,048)
Benefit payments, including refunds of employee contributions.....	(66,815)	(66,815)	-
Administrative expense.....	-	(1,611)	1,611
Net changes during measurement period.....	<u>64,218</u>	<u>47,024</u>	<u>17,194</u>
Balance at June 30, 2020 (MD)	<u>\$ 1,524,757</u>	<u>\$ 1,189,665</u>	<u>\$ 335,092</u>

The City's pension liability for the Replacement Benefits Plan is measured as the total pension liability as there are no assets in a plan. The change in the total pension liability for the City Replacement Benefits Plan is as follows:

	<u>Increase (Decrease)</u>
	<u>Total Pension Liability</u>
Balance at June 30, 2019 (MD).....	\$ 137,272
Change in year:	
Service cost.....	1,976
Interest.....	4,776
Differences between expected and actual experience.....	7,800
Assumption changes.....	37,013
Benefit payments.....	<u>(3,634)</u>
Net changes during measurement period.....	<u>47,931</u>
Balance at June 30, 2020 (MD).....	<u>\$ 185,203</u>

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Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the City recognized pension expense including amortization of deferred outflows/inflows related to pension items as follows:

	Primary Government			Component Unit Treasure Island Development Authority	Total
	Governmental Activities	Business-type Activities	Fiduciary Funds		
SFERS Plan.....	\$ 521,714	\$ 415,618	\$ -	\$ -	\$ 937,332
City CalPERS Miscellaneous Plan.....	543	-	-	-	543
City CalPERS Safety Plan.....	53,947	-	-	-	53,947
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans...	854	-	-	-	854
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.....	-	-	3,574	-	3,574
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	-	-	-	4	4
Replacement Benefits Plan.....	16,298	8,945	-	-	25,243
Total pension expense.....	<u>\$ 593,356</u>	<u>\$ 424,563</u>	<u>\$ 3,574</u>	<u>\$ 4</u>	<u>\$ 1,021,497</u>

At June 30, 2021, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SFERS Plan		CalPERS Miscellaneous Plans		City CalPERS Safety Plan		Replacement Benefits Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date.....	\$ 791,736	\$ -	\$ 2,913	\$ -	\$ 51,185	\$ -	\$ -	\$ -	\$ 845,834	\$ -
Change in assumptions.....	280,393	88,456	116	249	80	-	49,565	2,058	330,154	90,763
Difference between expected and actual experience.....	173,459	16,002	1,801	836	223	2,917	17,683	-	193,166	19,755
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions.....	66,431	56,604	2,613	4,440	-	-	9,390	9,390	78,434	70,434
Net differences between projected and actual earnings on plan investments.....	106,947	-	1,039	482	9,512	-	-	-	117,498	482
Total.....	<u>\$ 1,418,966</u>	<u>\$ 161,062</u>	<u>\$ 8,482</u>	<u>\$ 6,007</u>	<u>\$ 61,000</u>	<u>\$ 2,917</u>	<u>\$ 76,638</u>	<u>\$ 11,448</u>	<u>\$ 1,565,086</u>	<u>\$ 181,434</u>

At June 30, 2021, the City reported \$845.8 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the measurement year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense in the measurement year as follows:

Year Ending June 30	SFERS Plan	CalPERS Miscellaneous Plans	CalPERS Safety Plan	Replacement Benefits Plan	Total
2021.....	\$ (87,925)	\$ (374)	\$ (6,844)	\$ 19,821	\$ (75,322)
2022.....	106,362	(363)	2,958	18,814	127,771
2023.....	244,538	34	5,954	17,593	268,119
2024.....	203,193	265	4,830	8,962	217,250
Total	<u>\$ 466,168</u>	<u>\$ (438)</u>	<u>\$ 6,898</u>	<u>\$ 65,190</u>	<u>\$ 537,818</u>

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Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2020 is provided below, including any assumptions that differ from those used in the July 1, 2019 actuarial valuation.

	SFERS Plan	CalPERS Miscellaneous and Safety Plans
Valuation date.....	June 30, 2019 updated to June 30, 2020	June 30, 2019
Measurement date.....	June 30, 2020	June 30, 2020
Actuarial cost method.....	Entry-age normal cost method	Entry-age normal cost method
Investment rate of return.....	7.40%, net of pension plan investment expenses	7.15%, net of pension plan investment expenses, includes inflation
Municipal bond yield.....	2.21% as of June 30, 2020 Bond Buyer 20-Bond GO Index, June 25, 2020	
Inflation.....	2.75%	2.50%
Projected salary increases.....	3.50% plus merit component based on employee classification and years of service	Varies by Entry Age and Service
Discount rate.....	7.40% as of June 30, 2020	7.15% as of June 30, 2020
Basic COLA.....	Old Miscellaneous and All New Plans..... 2.00% Old Police and Fire: Pre 7/1/75 Retirements..... 2.50% Chapters A8.595 and A8.596..... 3.10% Chapters A8.559 and A8.585..... 4.20%	Miscellaneous Contract COLA up to 2.50% until Purchasing Protection Allowance Floor on Purchasing Power applies. Safety standard COLA 2.0%

For SFERS, mortality rates for active members and healthy annuitants were based upon adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

The actuarial assumptions used in the SFERS valuation at the June 30, 2020 measurement date were based upon the results of an experience study for the period July 1, 2009 through June 30, 2014 and an economic experience study as of July 1, 2019.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP-2016. All other actuarial assumptions used in the CalPERS June 30, 2019 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The CalPERS discount was 7.15% as of the June 30, 2020 measurement date.

For the Replacement Benefits Plan beginning of the year measurement is also based on the census data used in the actuarial valuation as of July 1, 2019.

Discount Rates

SFERS – The discount rate used to measure SFERS's total pension liability as of June 30, 2020 was 7.40%. The projection of cash flows used to determine the discount rate assumed that plan members and employers contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2019 actuarial valuation.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member

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benefits, including Supplemental COLAs, are amortized over 5 years. The remaining Unfunded Actuarial Liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. For the July 1, 2016 valuation, the increase in the Unfunded Actuarial Liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years, respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.50% each year. The Unfunded Actuarial Liability is based on an Actuarial Value of Assets that smooths investment gains and losses over five years and a measurement of the Actuarial Liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of the Actuarial Liability in the valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed (Post 97 Retirees), a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the Actuarial Value of Assets. For members who did not work after November 6, 1996 and before Proposition C passed, the Market Value of Assets must also exceed the Actuarial Liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System, the Retirement System developed an assumption as of June 30, 2020, of the probability and amount of Supplemental COLA for each future year. There were no excess earnings during the year ending June 30, 2020; consequently, no Supplemental COLA will be paid effective July 1, 2020.

The table below shows the net assumed Supplemental COLAs for members with a 2.00% basic COLA for sample years.

**Assumed Supplemental COLA
for Members with a 2.00% Basic COLA**

Year Ending June 30	96 - Prop C	Before 11/6/96 or After Prop C
2022	0.75%	0.19%
2024	0.75%	0.27%
2026	0.75%	0.30%
2028	0.75%	0.33%
2030	0.75%	0.35%
2032	0.75%	0.37%
2034+	0.75%	0.38%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year-end 2099 when only a portion of the projected benefit payments are expected to be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.21% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2020 is 7.40%.

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The long-term expected rate of return on pension plan investments was 7.40%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	31.0%	4.9%
Treasuries	6.0%	-0.5%
Liquid Credit	3.0%	2.7%
Private Credit	10.0%	4.8%
Private Equity	18.0%	7.9%
Real Assets	17.0%	5.7%
Hedge Funds/Absolute Return	15.0%	3.0%

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Rate Plans and the Safety Plan total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class⁽¹⁾	Target Allocation	Real Return Years 1 - 10 ⁽²⁾	Real Return Years 11+ ⁽³⁾
Global equity	50.00%	4.80%	5.98%
Global fixed income	28.00%	1.00%	2.62%
Inflation sensitive	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

- (1) In the CalPERS Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.

Replacement Benefits Plan – The discount rate was 2.21% as of June 30, 2020. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yield is the Bond Buyer 20-Year GO Index as of June 25, 2020. This is the rate used to determine the total pension liability as of June 30, 2020.

The inflation assumption of 2.75% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of \$230 for 2020 was used for the 2020 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

At June 30, 2021, the membership in the RBP had a total of 683 active members and 105 retirees and beneficiaries currently receiving benefits.

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the NPL for each of the City's cost-sharing retirement plans, calculated using the discount rate, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Cost-Sharing Pension Plans	1% Decrease Share of NPL @ 6.40%	Current Share of NPL @ 7.40%	1% Increase Share of NPL @ 8.40%
Proportionate Share of Net Pension Liability			
SFERS.....	\$ 9,030,293	\$ 5,107,273	\$ 1,866,119
	1% Decrease Share of NPL @ 6.15%	Current Share of NPL @ 7.15%	1% Increase Share of NPL @ 8.15%
City CalPERS Miscellaneous Plan.....	\$ (13,633)	\$ (16,206)	\$ (18,331)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans...	4,562	2,659	1,087
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.....	46,973	32,279	20,139
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	32	21	12

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The following presents the NPL for the City's CalPERS Safety Plan (agent multiple-employer plan) and the total pension liability for the City's Replacement Benefits Plan, calculated using the discount rate, in effect as of the measurement date, as well as what the net/total pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Agent Pension Plan	1% Decrease @ 6.15%	Measurement Date @ 7.15%	1% Increase @ 8.15%
City CalPERS Safety Plan.....	\$ 535,130	\$ 335,092	\$ 169,416
	1% Decrease @ 1.21%	Measurement Date @ 2.21%	1% Increase @ 3.21%
Replacement Benefits Plan.....	\$ 223,249	\$ 185,203	\$ 155,739

Detailed information about the CalPERS Safety Plan's fiduciary net position is available in a separately issued CalPERS financial report, copies may be obtained from the CalPERS website at www.calpers.ca.gov.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

Health Service System

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately \$853.8 million in fiscal year 2021. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California and the contribution models negotiated with the unions. Included in this amount is \$249.5 million to provide postemployment health care benefits for 29,966 retired participants, of which \$206.4 million related to City employees. The City's liability for postemployment health care benefits is enumerated below. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 300, San Francisco, CA 94103 or from the City's website.

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(b) Postemployment Health Care Benefits

City (excluding the Transportation Authority and the Successor Agency)

The City maintains a defined benefit other postemployment benefits plan (OPEB Plan). The OPEB Plan provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

San Francisco Health Service System OPEB Plan

Valuation Date (VD)	June 30, 2020
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

The City prefunds its OPEB obligations through the Retiree Health Care Trust Fund (RHCTF) that allows participating employers to prefund certain postemployment benefits other than pensions for their covered employees. The RHCTF is an agent multiple-employer trust fund and has two participating employers: (i) the City and County of San Francisco and (ii) the San Francisco Community College District. The RHCTF is administered by the City and is presented as an other postemployment benefit trust fund herein. The RHCTF's administrator, the City and County of San Francisco's Retirement System (SFERS), issues a publicly available financial report consisting of financial statements and required supplementary information for the RHCTF in aggregate. The report may be obtained by writing to SFERS, 1145 Market Street, 5th Floor, San Francisco, CA 94103.

Former employees of the City and County of San Francisco who were members of the Health Service System and who retire under SFERS or CalPERS are eligible for postretirement health benefits from the City and County of San Francisco. Effective with Proposition B, passed June 3, 2008, employees hired on or after January 10, 2009 must retire within 180 days of separation in order to be eligible for retiree healthcare benefits from the City. The eligibility requirements are as follows:

City and County of San Francisco's Retirement System (SFERS)

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service ¹
		Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement ²	Any age with 10 years of credited service	
Terminated Vested	5 years of credited service at separation	

California Public Employees' Retirement System (CalPERS)

Normal Retirement	Age 50 with 5 years of credited service
Disabled Retirement ²	Any age with 5 years of credited service
Terminated Vested	5 years of credited service at separation

¹ Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012 under Charter Section 8.603.

² No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those killed in the line of duty.

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Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

- Medical: PPO – City Health Plan (self-insured) and UHC Medicare Advantage (fully-insured)
HMO – Kaiser (fully-insured) and Blue Shield (flex-funded)
- Dental: Delta Dental, DeltaCare USA and UnitedHealthcare Dental
- Vision: Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

As of the June 30, 2020 valuation date, the following current and former employees were covered by the benefit terms under the healthcare plan:

	City Plan
Active plan members.....	32,879
Inactive employees entitled to but not yet receiving benefit payments.....	2,211
Inactive employees or beneficiaries currently receiving benefit payments...	22,728
Total.....	<u>57,818</u>

San Francisco County Transportation Authority and Successor Agency

The Transportation Authority's defined benefit postemployment healthcare plan provides healthcare benefits to eligible employees and their surviving spouses. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 and meeting program vesting requirements or being converted to disability status and retiring directly from the Transportation Authority. Dental and vision benefits are not available to retirees. The Transportation Authority is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for the provision of healthcare insurance programs for both active and retired employees.

Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's other postemployment benefits plan. The Successor Agency sponsors a defined benefit plan providing OPEB to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency pays 100% of the premiums of CalPERS medical plan to eligible employees that satisfied the required services years and minimum age.

The Transportation Authority and the Successor Agency participate in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent multiple-employer postemployment health plan, to prefund other postemployment benefits through CalPERS. CalPERS issues publicly available financial reports for all plans it administers and a separate GASB Statement No. 75 report for CERBT that can be found on CalPERS website.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

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As of the June 30, 2020 actuarial valuation, the following current and former employees were covered by the benefit terms under the healthcare plan:

	Transportation Authority	Successor Agency
Active plan members.....	39	43
Inactive employees entitled to but not yet receiving benefit payments.....	1	1
Inactive employees or beneficiaries currently receiving benefit payments..	6	105
Total.....	<u>46</u>	<u>149</u>

Contributions

The City's benefits provided under the OPEB Plan are currently paid through "pay-as-you-go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the RHCTF a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City's actuary has determined that the City's portion of the RHCTF is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the RHCTF. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City contributes 0.25% of compensation into the RHCTF for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City contributes an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's actuary has determined that the City's portion of the RHCTF is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation. Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

For the year ended June 30, 2021, the City's funding was based on "pay-as-you-go" plus a contribution of \$39.6 million to the RHCTF. The "pay-as-you-go" portion paid by the City was \$206.4 million for a total contribution subsequent to the measurement date of \$246.0 million for the year ended June 30, 2021.

The Transportation Authority's contribution requirements are established and may be amended by the Board. The Transportation Authority makes contributions on an actuarial basis, funding the full actuarially determined contributions (ADC). The Transportation Authority's employees are not required to contribute to the OPEB plan. For the year ended June 30, 2021, the Transportation Authority contributed \$55 to the CERBT plan. The Successor Agency's OPEB funding policy is to contribute 100% or more of the ADC annually by contributing to the CERBT. For the year ended June 30, 2021, the Successor Agency contributed \$2.3 million to the plan. There are no employee contributions to the Successor Agency's plan. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

OPEB liabilities are financed by governmental funds, enterprise funds and fiduciary funds that are responsible for the charges.

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Net OPEB Liability

The table below shows how the net OPEB liability (asset) as of June 30, 2021 is distributed.

	<u>2021</u>
Governmental activities.....	\$ 2,109,868
Business-type activities.....	1,701,145
Fiduciary funds.....	14,079
Total.....	<u>\$ 3,825,092</u>

As of June 30, 2021, the City's net OPEB liability (asset) is comprised of the following:

	<u>Share of Net OPEB Liability (Asset)</u>
City defined benefit healthcare plan.....	\$ 3,823,335
Transportation Authority defined benefit healthcare plan.....	(334)
Successor Agency defined benefit healthcare plan.....	2,091
Total.....	<u>\$ 3,825,092</u>

The changes in the City OPEB Plan's net OPEB liability are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2019 (MD).....	\$ 4,282,418	\$ 366,603	\$ 3,915,815
Changes during the measurement period.....			
Service cost.....	141,642	-	141,642
Interest.....	314,907	-	314,907
Differences between expected and actual experience...	(381,922)	-	(381,922)
Changes of assumptions.....	151,725	-	151,725
Contributions - employer.....	-	235,963	(235,963)
Contributions - member.....	-	60,236	(60,236)
Net investment income.....	-	22,746	(22,746)
Benefit payments, including refunds of member contributions.....	(196,445)	(196,445)	-
Administrative expense.....	-	(113)	113
Net changes during the measurement period.....	29,907	122,387	(92,480)
Balance at June 30, 2020 (MD).....	<u>\$ 4,312,325</u>	<u>\$ 488,990</u>	<u>\$ 3,823,335</u>

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The changes in net OPEB liability (asset) for the plans of the Transportation Authority and Successor Agency are as follows:

	Transportation Authority			Successor Agency		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019 (MD).....	\$ 1,478	\$ 1,890	\$ (412)	\$ 12,395	\$ 8,051	\$ 4,344
Changes during the measurement period.....						
Service cost.....	92	-	92	344	-	344
Interest.....	114	-	114	830	-	830
Differences between expected and actual experience...	(1)	-	(1)	-	-	-
Changes of assumptions.....	-	-	-	(248)	-	(248)
Contributions from the employer.....	-	61	(61)	-	2,901	(2,901)
Benefit payments.....	(61)	(61)	-	(902)	(902)	-
Administrative expense.....	-	(1)	1	-	(7)	7
Net investment income.....	-	67	(67)	-	285	(285)
Net changes during the measurement period.....	144	66	78	24	2,277	(2,253)
Balance at June 30, 2020 (MD).....	\$ 1,622	\$ 1,956	\$ (334)	\$ 12,419	\$ 10,328	\$ 2,091

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense including amortization of deferred outflows/inflows related to OPEB items as follows:

	Primary Government			Total
	Governmental Activities	Business-type Activities	Fiduciary Funds	
City defined benefit healthcare plan.....	\$ 250,062	\$ 70,597	\$ 25	\$ 320,684
Transportation Authority defined benefit healthcare plan...	21	-	-	21
Successor Agency defined benefit healthcare plan.....	-	-	1,149	1,149
Total OPEB expense.....	\$ 250,083	\$ 70,597	\$ 1,174	\$ 321,854

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As of June 30, 2021, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	City Plan		Transportation Authority	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date.....	\$ 245,992	\$ -	\$ 55	\$ -
Differences between expected and actual experience.....	138,620	547,781	-	525
Changes in assumptions.....	193,547	-	-	55
Changes in proportion.....	68,208	68,208	-	-
Net difference between projected and actual earnings on plan investments.....	2,502	-	64	-
Total.....	\$ 648,869	\$ 615,989	\$ 119	\$ 580

	Successor Agency		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date.....	\$ 2,259	\$ -	\$ 248,306	\$ -
Differences between expected and actual experience.....	9	-	138,629	548,306
Changes in assumptions.....	51	171	193,598	226
Changes in proportion.....	-	-	68,208	68,208
Net difference between projected and actual earnings on plan investments.....	250	-	2,816	-
Total.....	\$ 2,569	\$ 171	\$ 651,557	\$ 616,740

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Amounts reported as deferred outflows/inflows will be amortized annually and recognized in OPEB expense as follows:

Year ending June 30:	City	Transportation Authority	Successor Agency	Total
2022.....	\$ (44,993)	\$ (32)	\$ 45	\$ (44,980)
2023.....	(43,494)	(24)	(17)	(43,535)
2024.....	(43,786)	(23)	46	(43,763)
2025.....	(42,791)	(27)	65	(42,753)
2026.....	(5,161)	(42)	-	(5,203)
Thereafter.....	(32,887)	(368)	-	(33,255)
Total	<u>\$ (213,112)</u>	<u>\$ (516)</u>	<u>\$ 139</u>	<u>\$ (213,489)</u>

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the City Plan's total OPEB liability as of June 30, 2020 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 4.00% in 2022, 7.00% in 2023, trending down to ultimate rate of 4.04% in 2075 Medicare trend starts at 1.00% in 2022, 7.50% in 2023, trending down to ultimate rate of 4.04% in 2075 10-County average trend starts at 4.5% in 2022, 5.50% in 2023, trending down to ultimate rate of 4.04% in 2075 Vision and expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Discount Rate	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2019.

Non-Annuityants

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

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The mortality rates in the base tables are projected generationally from the base year using the modified version of the MP-2019 projection scale.

The Transportation Authority net OPEB liability (asset) was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined using an actuarial valuation as of June 30, 2019. The Successor Agency's net OPEB liability was measured as of June 30, 2020, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. A summary of the actuarial assumptions and methods used to calculate the total OPEB liability are as follows:

Key Actuarial Assumptions	June 30, 2020 Measurement Date	
	Transportation Authority	Successor Agency
Actuarial Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020
Discount Rate	7.59%	6.75%
General Inflation	2.75% per annum	2.75%
Salary Increases	2.75% per annum, in aggregate	3.00%; Merit based on 2017 CalPERS Experience Study
Investment Rate of Return	7.59%	6.75%
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2015	CalPERS 2017 Experience Study for the period from 1997 to 2015 Post-retirement mortality projected fully generational with Scale MP-2018
Healthcare Cost Trend Rate	Initial 6.5% for non-medicare eligibles, 11.0% for spouse/domestic partner medicare eligibles and 4.5% medicare eligibles, all grading down to 4.0%	Non-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076; Medicare- 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076

Sensitivity of Net OPEB Liabilities (Asset) to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability (asset) for each plan calculated using the healthcare cost trend rate, as well as what the plan's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

Plan	June 30, 2020 (measurement year)		
	1% Decrease	Healthcare Trend	1% Increase
City Defined Benefit Plan	\$ 3,305,789	\$ 3,823,335	\$ 4,497,900
Transportation Authority	(570)	(334)	(34)
Successor Agency	806	2,091	3,622

Discount Rate

City OPEB Plan - The discount rate used to measure the total OPEB liability as of June 30, 2020 was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member and employer contributions will continue to be made at the rates specified in the Charter, and disbursements from the RHCTF will continue to be limited by the Charter until it is fully funded. Based on those assumptions, it was determined that the OPEB Plan's fiduciary net position was projected to be available to make all future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return is based on the RHCTF's investment consultant's 10 and 20-year capital market

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assumptions for the RHCTF's asset allocation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	28.0%	8.4%
U.S. Small Cap	3.0%	9.8%
Developed Market Equity (non-U.S.)	15.0%	9.6%
Emerging Market Equity	13.0%	11.7%
Credit		
Bank Loans	3.0%	4.9%
High Yield Bonds	3.0%	4.9%
Emerging Market Bonds	3.0%	4.8%
Rate Securities		
Investment Grade Bonds	9.0%	2.2%
Long-term Government Bonds	4.0%	3.1%
Short-term Treasury Inflation-Protected Securities (TIPS)	4.0%	1.9%
Private Markets		
Private Equity	5.0%	12.5%
Core Private Real Estate	5.0%	6.4%
Risk Mitigating Strategies		
Global Macro	5.0%	4.1%
Total	100.0%	

Transportation Authority and Successor Agency - The discount rates used to measure the total OPEB liability of the Transportation Authority and the Successor Agency were 7.59% and 6.75%, respectively. The projections of cash flows used to determine the discount rates assumed that Transportation Authority and Successor Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB plans' investments was applied to all periods of projected benefit payments to determine the total OPEB liability of each plan.

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The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	
		Transportation Authority	Successor Agency
Global Equity	59.00%	4.82%	4.82%
Fixed Income	25.00%	1.47%	1.47%
Treasury Inflation Protection Securities	5.00%	1.29%	1.29%
Real Estate Investment Trusts	8.00%	0.84%	3.76%
Commodities	3.00%	3.76%	0.84%
Total	100.00%		

The following presents the net OPEB liability (asset) calculated using the discount rate, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate for each plan:

Plan	June 30, 2020 (measurement year)		
	1% Decrease 6.00%	Discount Rate 7.00 %	1% Increase 8.00%
City Defined Benefit Plan	\$ 4,436,900	\$ 3,823,335	\$ 3,322,453

	June 30, 2020 (measurement year)		
	1% Decrease 6.59%	Discount Rate 7.59%	1% Increase 8.59%
Transportation Authority	\$ (84)	\$ (334)	\$ (538)

	June 30, 2020 (measurement year)		
	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Successor Agency	\$ 3,407	\$ 2,091	\$ 978

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(10) FUND EQUITY

(a) Governmental Fund Balance

Fund balances for all the major and nonmajor governmental funds as of June 30, 2021, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Imprest Cash, Advances, and Long-Term Receivables..	\$ 2,714	\$ 82	\$ 2,796
Restricted			
Rainy Day.....	114,539	-	114,539
Public Protection			
Police.....	-	14,166	14,166
Sheriff.....	-	996	996
Other Public Protection.....	-	30,108	30,108
Public Works, Transportation & Commerce.....	-	297,323	297,323
Human Welfare & Neighborhood Development.....	-	1,832,600	1,832,600
Affordable Housing.....	-	252,867	252,867
Community Health.....	-	59,728	59,728
Culture & Recreation.....	-	251,084	251,084
General Administration & Finance.....	-	24,213	24,213
Capital Projects.....	-	408,340	408,340
Debt Service.....	-	212,850	212,850
Total Restricted.....	<u>114,539</u>	<u>3,384,275</u>	<u>3,498,814</u>
Committed			
Budget Stabilization.....	<u>320,637</u>	<u>-</u>	<u>320,637</u>
Assigned			
Public Protection			
Police.....	8,717	3,606	12,323
Sheriff.....	6,203	648	6,851
Other Public Protection.....	54,064	-	54,064
Public Works, Transportation & Commerce.....	84,064	70,427	154,491
Human Welfare & Neighborhood Development.....	136,649	103,674	240,323
Affordable Housing.....	218,568	-	218,568
Community Health.....	291,827	-	291,827
Culture & Recreation.....	16,963	26,349	43,312
General Administration & Finance.....	97,129	19,954	117,083
General City Responsibilities.....	65,735	-	65,735
Self-Insurance.....	42,454	-	42,454
Capital Projects.....	180,994	-	180,994
Litigation and Contingencies.....	179,591	-	179,591
Subsequent Year's Budget.....	<u>179,077</u>	<u>-</u>	<u>179,077</u>
Total Assigned.....	<u>1,562,035</u>	<u>224,658</u>	<u>1,786,693</u>
Unassigned.....	<u>670,179</u>	<u>(1,920)</u>	<u>668,259</u>
Total.....	<u>\$ 2,670,104</u>	<u>\$ 3,607,095</u>	<u>\$ 6,277,199</u>

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(b) General Fund Stabilization and Other Reserves

Rainy Day Reserve

The City maintains a “Rainy Day” or economic stabilization reserve under Charter Section 9.113.5, with separate accounts for the benefit of the City (the “City Reserve”) and the San Francisco Unified School District (the “School Reserve”). In any year when the City projects that total General Fund revenues for the upcoming budget year are going to be more than five percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the “excess revenues” in the Rainy Day Reserve. Seventy-five percent of the deposit is placed in the City Reserve and twenty-five percent is placed in the School Reserve. The total amount of money in the Rainy Day Reserve may not exceed ten percent of the City’s actual total General Fund revenues. The City may spend money from the City Reserve for any lawful governmental purpose, but only in years when the City projects that total General Fund revenues for the upcoming year will be less than the current year’s total General Fund revenues, i.e., years when the City expects to take in less money than it had taken in for the current year. In those years, the City may spend up to half the money in the City Reserve, but no more than is necessary to bring the City’s total available General Fund revenues up to the level of the current year. The School District may withdraw up to half the money in the School Reserve when it expects to collect less money per student than the previous fiscal year and would have to lay off a significant number of employees. The School District’s Board can override those limits and withdraw any amount in the School Reserve by a two-thirds vote. The City does not expect to routinely spend money from the Rainy Day Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2022-23 through 2025-26.

Budget Stabilization Reserve

The City sets aside as an additional reserve 75 percent of (1) real estate transfer taxes in excess of the average collected over the previous five years, (2) proceeds from the sale of land and capital assets, and (3) ending unassigned General Fund balances. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent, after using the amount legally available from the Rainy Day Reserve. The City, by a resolution of the Board of Supervisors adopted by a two-thirds vote, may temporarily suspend these provisions following a natural disaster that has caused the Mayor or the Governor to declare an emergency, or for any other purpose. The City does not expect to routinely spend money from the Budget Stabilization Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2022-23 through 2025-26.

(c) Encumbrances

At June 30, 2021, encumbrances recorded in the General Fund and nonmajor governmental funds were \$407.1 million and \$523.2 million, respectively.

(d) Restricted Net Position

The City issued general obligation bonds and certificates of participation for the purpose of rebuilding and improving Laguna Honda Hospital. General obligation bonds were also issued for the purpose of reconstructing and improving waterfront parks and facilities on Port property and for the seismic strengthening and repair of the Embarcadero Seawall managed by the Port and for the retrofit and improvement work to ensure a reliable water supply (managed by the Water Enterprise) in an emergency or disaster and for certain street improvements managed by the SFMTA. These capital assets are reported in the City’s business-type activities. However, the debt service will be paid with governmental revenues and as such these general obligation bonds and certificates of participation are reported with unrestricted net position in the City’s governmental activities. In accordance with GASB guidance, the City reclassified \$490.6 million of unrestricted net position of governmental activities, of which \$369.4 million reduced net investment in capital assets and \$121.2 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

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(e) Deficit Fund Balances and Net Position

The Senior Citizens Program Fund had a deficit of \$1.3 million as of June 30, 2021. The deficit relates to unavailable revenue in various programs, which is expected to be collected beyond 60 days of the end of fiscal year 2021. The Environmental Protection Fund had a deficit of \$0.6 million, mainly due to unearned and unavailable revenue which is expected to be collected in future years.

The Central Shops and Telecommunications and Information Internal Service Funds had deficits in total net position of \$27.1 million and \$24.6 million, respectively, as of June 30, 2021, mainly due to the accrual of the net pension and other postemployment benefits liabilities. The operating deficits are expected to be reduced in future years through anticipated rate increases or reductions in operating expenses. The rates are reviewed and updated annually.

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the former Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the Successor Agency on February 1, 2012. The Successor Agency can only receive tax increment to the extent that it can show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. At June 30, 2021, the Successor Agency has a deficit of \$450.4 million, which will be eliminated with future redevelopment property tax revenues distributed from the Redevelopment Property Tax Trust Fund administered by the City's Controller.

(11) UNAVAILABLE RESOURCES IN GOVERNMENTAL FUNDS

The deferred inflows of resources balance in governmental funds as of June 30, 2021 consists of the following unavailable resources:

	General Fund	Other Governmental Funds	Total Governmental Funds
Grant and subvention revenues.....	\$ 120,569	\$ 83,186	\$ 203,755
Property Tax.....	170,557	8,330	178,887
Teeter Plan.....	31,745	-	31,745
SB 90.....	3,898	-	3,898
Advances to Successor Agency.....	-	2,896	2,896
PG&E franchise tax.....	3,862	-	3,862
Loans.....	-	159,426	159,426
Total.....	<u>\$ 330,631</u>	<u>\$ 253,838</u>	<u>\$ 584,469</u>

California Senate Bill 90 (SB90), was adopted in 1972 and added to the State Constitution in 1979. When the Governor or Legislature mandates a new program or higher level of service upon local agencies and school districts, SB90 requires the State to reimburse local agencies and school districts for the cost of these new programs or higher levels of service. The balance in deferred inflows of resources is the value of reimbursement claims submitted to the State, which are subject to audit for unallowable costs.

As described in Note 6, under the Teeter Plan the City is allocated secured property tax revenue, which has been billed but not collected. Collections which have not occurred within the availability period are included in deferred inflows of resources in the General Fund.

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(12) SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

The Transportation Authority was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax were set forth in the San Francisco County Transportation Expenditure Plan (Expenditure Plan), which was approved as part of Proposition B. The Transportation Authority was organized pursuant to Sections 131000 et seq. of the Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990. The Transportation Authority administers the following programs:

Sales Tax Program. On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and individuals with disabilities; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and Muni Metro Network; B) construction of the Muni Central Subway (Third Street Light Rail Project–Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). Under Proposition K legislation, the Transportation Authority directs the use of the Sales Tax and may issue up to \$1.88 billion in bonds secured by the Sales Tax.

Congestion Management Agency (CMA) Programs. On November 6, 1990, the Transportation Authority was designated under State law as the CMA for the City. Responsibilities resulting from this designation include developing a Congestion Management Program, which provides evidence of the integration of land use, transportation programming and air quality goals; preparing a long-range countywide transportation plan to guide the City's future transportation investment decisions; monitoring and measuring traffic congestion levels in the City; measuring the performance of all modes of transportation; and developing a computerized travel demand forecasting model and supporting databases. As the CMA, the Transportation Authority is responsible for establishing the City's priorities for certain state and federal transportation funds and works with the Metropolitan Transportation Commission to program those funds to San Francisco projects.

Transportation Fund for Clean Air (TFCA) Program. On June 15, 2002, the Transportation Authority was designated to act as the overall program manager for the local guarantee (40%) share of transportation funds available through the TFCA program. Funds from this program, administered by the Bay Area Air Quality Management District come from a \$4 vehicle registration fee on automobiles registered in the Bay Area. Through this program, the Transportation Authority recommends projects that benefit air quality by reducing motor vehicle emissions.

Vehicle Registration Fee for Transportation Improvements Program. On November 2, 2010, San Francisco voters approved Proposition AA with a 59.6% affirmative vote, authorizing the Transportation Authority to collect an additional \$10 annual vehicle registration fee on motor vehicles registered in San Francisco and to use the proceeds to fund transportation projects identified in the 30-year Expenditure Plan. Revenue collection began in May 2011. Proposition AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues designated for each category over the 30-year Expenditure Plan period is shown in parenthesis for the following category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%).

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Treasure Island Mobility Management Authority (TIMMA). The Treasure Island Transportation Management Act of 2008 (Assembly Bill 981, Leno) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the TIMMA to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, the Governor signed Assembly Bill 141, establishing TIMMA as a legal entity distinct from the Transportation Authority to help firewall the Transportation Authority's other functions. The eleven members of the Transportation Authority Board act as the Board of Commissioners for TIMMA. The Transportation Authority financial statements include TIMMA as a blended special revenue component unit.

Traffic Congestion Mitigation Tax. The Traffic Congestion Mitigation Tax was approved by San Francisco voters on November 5, 2019, through approval of Proposition D. The measure, also referred to as the Transportation Network Company (TNC) Tax, is a surcharge on commercial ride-hailing trips that originate in San Francisco, for the portion of the trip within the City. The intent of the TNC Tax program is to deliver improvements to transit reliability and safety on San Francisco's roadways, helping to mitigate the effects of increased congestion due to TNC vehicles. Beginning January 1, 2020, a 1.5% tax is charged on shared rides or rides taken in a zero-emission vehicle, and 3.25% is charged on rides with a single occupant. The tax is in effect until November 2045. After a 2% set aside for administration by the City, 50% of the revenues are directed to the SFMTA for transit operations and improvements, and 50% to the Transportation Authority for bicycle and pedestrian safety improvements, traffic calming, traffic signals, and maintenance.

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(13) DETAILED INFORMATION FOR ENTERPRISE FUNDS

(a) San Francisco International Airport

San Francisco International Airport (the Airport or SFO), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five-member Commission is responsible for the operation, development and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

Revenue Pledge – The Airport has pledged all of the Net Revenues (as defined in bond resolutions adopted by the Airport Commission) to repay the following obligations, when due, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds (Senior Bonds) and a portion of amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, (2) the Subordinate Commercial Paper Notes and any other obligations (Subordinate Bonds) and amounts due to reimburse drawings under the letters of credit securing the Commercial Paper Notes, (3) remaining amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, and (4) interest rate swap termination payments.

During fiscal year 2020-21, the original principal amount of the Senior Bonds and Commercial Paper Notes issued, principal and interest remaining due on outstanding Senior Bonds and Commercial Paper Notes, principal and interest paid on such obligations, and applicable Net Revenues are as set forth in the table below. There were no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

Bonds issued with revenue pledge	\$ 838,380
Bond principal and interest remaining due at end of the fiscal year	15,125,941
Bond principal and interest paid in the fiscal year	277,427
Commercial paper issued with subordinate revenue pledge	506,150
Commercial paper principal and interest remaining due at end of the fiscal year ...	279,408
Commercial paper principal, interest and fees paid in the fiscal year	3,751
Net revenues	311,233

In addition, pursuant to the Hotel Trust Agreement, the Airport has pledged all of the Revenues of the on-Airport Hotel and certain other assets pledged under the Amended and Restated Hotel Trust Agreement, to repay the Hotel Special Facility Bonds. This pledge is in force so long as the Hotel Special Facility Bonds are outstanding. The Hotel Special Facility Bonds mature in fiscal year 2058 and are subject to mandatory sinking fund redemption each year starting in 2025. The Hotel Special Facility Bonds are not payable from or secured by the Net Revenues of the Airport.

Reserves and Debt Service Requirement – Under the terms of the 1991 Master Bond Resolution, the Airport may establish one or more reserve accounts with different reserve requirements to secure one or more series of Senior Bonds. Accordingly, the Airport has established three reserve accounts in the Reserve Fund: the Issue 1 Reserve Account, the 2009 Reserve Account, and the 2017 Reserve Account, all held by the trustee for the Senior Bonds. The reserve requirement for the Issue 1 Reserve Account is equal to the maximum annual debt service accruing in any year during the life of all participating series of bonds secured by the Issue 1 Reserve Account. The reserve requirement for each series of Senior Bonds secured by the 2009 Reserve Account (each a 2009 Reserve Series) is the lesser of: (i) maximum annual debt service for such series of 2009 Reserve Series Bonds, (ii) 125% of average annual debt service for such series of 2009 Reserve Series Bonds, and (iii) 10% of the outstanding principal amount of such series (or allocable issue price of such series if such series is sold with more than a de minimis (2%) amount of original issue discount), in each case as determined from

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time to time. With respect to all 2009 Reserve Series, the reserve requirement is the aggregate of such amounts for each individual series. On August 20, 2020, the last Series of Bonds supported by the 2009 Reserve Account, the Series 2010D Bonds, were defeased, and the 2009 Reserve Account was closed. The amounts remaining in the 2009 Reserve Account were transferred to the redemption account for the Series 2010D Bonds. The reserve requirement for the 2017 Reserve Account is equal to the lesser of: (i) the maximum amount of aggregate annual debt service for all 2017 Reserve Series Bonds in any fiscal year during the period from the date of calculation to the final scheduled maturity of the 2017 Reserve Series Bonds, (ii) 10% of the outstanding aggregate principal amount of all 2017 Reserve Series Bonds (provided that the issue price of a Series of 2017 Reserve Series Bonds will be used in this calculation if such Series was sold with an original issue discount that exceeded 2% of the principal of such Series on its original date of sale), and (iii) 125% of the average aggregate annual debt service for all 2017 Reserve Series Bonds. As of June 30, 2021, only the Series 2017D, 2018A, 2019B, and 2019D Bonds are secured by the 2017 Reserve Account. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of Senior Bonds or may issue Senior Bonds without a reserve account.

While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified levels of insurance or self-insurance.

Under the terms of the 1991 Master Bond Resolution, the Airport has covenanted that it will establish and at all times maintain rentals, rates, fees, and charges for the use of the Airport and for services rendered by the Airport so that:

- (i) Net revenues in each fiscal year will be at least sufficient (i) to make all required debt service payments and deposits in such fiscal year with respect to the bonds, any subordinate bonds, and any general obligation bonds issued by the City for the benefit of the Airport and (ii) to make the annual service payment to the City, and
- (ii) Net revenues, together with any transfer from the Contingency Account to the Revenue Account (both held by the City Treasurer), in each fiscal year will be at least equal to 125% of aggregate annual debt service with respect to the bonds for such fiscal year.

The methods required by the 1991 Master Bond Resolution for calculating debt service coverage differs from GAAP used to determine amounts reported in the Airport's financial statements.

Passenger Facility Charges –The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of \$4.50 for each enplaned passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. As of June 30, 2021, the FAA has approved Airport applications (PFC #2 to PFC #9) for collection and use with a total cumulative collection amount of \$2.3 billion. The final charge expiration date is estimated to be December 1, 2030. On January 13, 2021, the FAA approved the Airport's PFC Application #9 with a total collection authority of \$208.6 million. For the year ended June 30, 2021, the Airport reported approximately \$29.5 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

Commitments and Contingencies – On February 26, 2019, the Airport issued San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 2019A (AMT) and Series 2019B (Federally Taxable) (the "Fuel Bonds"), in an aggregate principal amount of \$125.0 million to refund all of the then-outstanding special facilities lease revenue bonds previously issued by the Commission for the benefit of SFO FUEL COMPANY LLC (SFO Fuel), finance

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capital improvements to the jet fuel distribution and related facilities at San Francisco International Airport, pay capitalized interest on a portion of the Series 2019A Bonds, make a deposit to a reserve account for the Fuel Bonds, and pay costs of issuance. SFO Fuel, a special purpose limited liability company formed by certain airlines operating at the Airport, is required to pay facilities rent to the Airport pursuant to a lease agreement between the Commission and SFO Fuel with respect to the on-Airport jet fuel distribution facilities in an amount equal to debt service payments on the Fuel Bonds and any required bond reserve account deposits. The principal and interest on the Fuel Bonds are paid solely from the facilities rent payable by SFO Fuel to the Airport. The lease payments, and therefore the Fuel Bonds, are payable from charges imposed by SFO Fuel on air carriers pursuant to the Amended and Restated Fuel System Interline Agreement, dated as of September 1, 1997 (the Interline Agreement). Pursuant to the Interline Agreement, the airlines that are members of SFO Fuel are collectively liable on a step-up basis for the sum of all costs, liabilities and expenses payable by SFO Fuel in relation to the administration and operation of SFO Fuel and the operation and maintenance of the premises and right-of-way leased from the Airport, including without limitation the facilities rent. The Fuel Bonds are not payable from or secured by the Net Revenues of the Airport. The Airport assigned its right to receive the facilities rent to the Fuel Bonds trustee to pay and secure the payment of the Fuel Bonds. Neither the Airport nor the City is obligated in any manner for the repayment of the Fuel Bonds other than from the facilities rent received from SFO Fuel. The Fuel Bonds are therefore not reported in the accompanying financial statements.

Purchase commitments for construction, material and services as of June 30, 2021 are as follows:

Construction	\$ 93,431
Operating	44,947
Total	<u>\$ 138,378</u>

Transactions with Other Funds – Pursuant to the Lease and Use Agreement between the Airport and most of the airlines operating at the Airport, the Airport makes an annual service payment to the City's General Fund equal to 15% of concession revenue (net of certain adjustments), but not less than \$5.0 million per fiscal year, in order to compensate the City for all indirect services provided to the Airport. The annual service payment for the year ended June 30, 2021 was \$14.7 million and was recorded as a transfer. In addition, the Airport pays for the cost of certain direct services provided by City departments to the Airport, including those provided by the Police Department, Fire Department, City Attorney, City Treasurer, City Controller, City Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2021, was \$173.5 million.

Business Concentrations - In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. For the year ended June 30, 2021, revenues realized from the following Airport tenant exceeded five percent of the Airport's total operating revenues:

United Airlines	32.0%
American Airlines	5.5%

(b) Port of San Francisco

A five-member Port Commission is responsible for the operation, development, and maintenance activities of the Port of San Francisco (Port). In February 1969, the Port was transferred in trust to the City under the terms and conditions of State legislation (Burton Act) ratified by the electorate of the City. Prior to 1969, the Port was operated by the State of California. The State retains the right to amend, modify or revoke the transfer of lands in trust provided that it assumes all lawful obligations related to such lands.

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Pledged Revenues – The Port’s revenues, derived primarily from property rentals to commercial and industrial enterprises and from maritime operations, which include cargo, ship repair, fishing, harbor services, cruise and other maritime activities, are held in a separate enterprise fund and appropriated for expenditure pursuant to the budget and fiscal provisions of the City Charter, consistent with trust requirements. Under public trust doctrine, the Burton Act, and the transfer agreement between the City and the State, Port revenues may be spent only for uses and purposes of the public trust.

The Port pledged future net revenues to repay its revenue bonds. As of June 30, 2021, the total principal and interest remaining to be paid on the bonds is \$61.7 million. The principal and interest payments made in 2021 were \$3.3 million and a net revenue deficit (total operating losses calculated in accordance with the bond indenture) for the year ended June 30, 2021, was \$9.2 million.

The Port has entered into a loan agreement with the California Division of Boating and Waterways for \$3.5 million to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and is secured by gross revenues as defined in the loan agreement. Total principal and interest remaining to be paid on this loan is \$1.9 million. Annual principal and interest payments were \$0.2 million in 2021 and pledged harbor revenues were \$0.1 million for the year ended June 30, 2021.

Commitments and Contingencies – The Port is presently planning various development and capital projects that involve a commitment to expend significant funds. As of June 30, 2021, the Port’s purchase commitments for construction-related services, materials and supplies, and other services were \$11.3 million for capital projects and \$0.9 million for general operations.

Transactions with Other Funds – The Port receives from, and provides services to, various City departments. In fiscal year 2020-21, the \$22.2 million in services provided by other City departments included \$6.3 million of insurance premiums and \$0.4 million in workers’ compensation expense.

On September 27, 2018, the Port and Mayor’s Office of Housing and Community Development (MOHCD) entered into a Memorandum of Understanding to implement the affordable housing development project at the Seawall Lot 322-1 (“88 Broadway”). In August 2019, the Port received \$15.0 million from MOHCD, which included additional interest accrued since June 30, 2019. As part of the 88 Broadway project, the Port entered into a Ground Lease with a developer in March 2019. The Ground Lease has a term of fifty-seven years plus one eighteen extension option (a 75-year maximum term but with expiration no later than December 31, 2105). The lease revenues are being amortized over the 75-year maximum term of the lease. At June 30, 2021, the Port has a noncurrent unearned revenue balance in the amount of \$14.1 million related to this Ground Lease. In addition to the payment by MOHCD, the Developer will be required to make lease payments representing a share of any cash flow generated by commercial activities.

In December 2017, the Port and the San Francisco Fire Department (SFFD) entered into a MOU for the use of water, apron, shed and office space at Pier 26 for berthing and servicing of fire boats for five years and on a month-to-month basis afterward. To facilitate these uses, SFFD repaired apron decking, replaced the fender system within the leasehold area and upgraded electrical services to Pier 26. In return, the Port allowed SFFD to apply hundred percent rent credits toward the lease payments until all required capital improvements, approximately \$2.3 million, are fully offset. As of June 30, 2021, rent credits of \$0.7 million have been provided to SFFD.

In November 2018, the Port and the Office of Community Investment and Infrastructure (OCII) entered into a grant agreement, to reimburse the Port from available excess bond proceeds for the Mission Bay Ferry Terminal Landing project construction costs in the amount not-to-exceed \$9.0 million. In January 2021, the OCII reimbursed \$7.8 million, which was returned to the City’s General Fund since the project cost was advanced by the City’s General Fund. The OCII will reimburse the remaining \$0.6 million in

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2022. As of June 30, 2021, the Port recorded a due from other City funds and due to other City funds in the amount of \$0.6 million.

South Beach Harbor Project Commitments – On May 1, 2019, the Successor Agency transferred South Beach Harbor operations to the Port. Under San Francisco Bay Conservation and Development Commission (BCDC) Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements were to be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that the required uncompleted work would cost approximately \$7.9 million. The Port has worked with the water recreation community to develop an alternative public access improvement proposal for BCDC consideration. Port management believes that the alternative proposal will provide significant public access improvements that are relevant to the project area and at a lower cost. On December 18, 2020, BCDC issued Amendment No. 20 for the South Beach Harbor Permit (1984.002.20) requiring amended project work to be completed by December 31, 2024, including installation of a new guest dock, kayak launch, and hoists located at Pier 40.

Pier 45 Fire – On May 23, 2020, a large fire broke out at a warehouse (Shed C) on Pier 45. The cause of the fire is undetermined. Nearly all of Shed C and its contents were lost due to the fire, including loss of private property stored at the pier. Other adjacent sheds were also damaged by smoke and soot. The Port's property was insured at the time of the incident. The Port has received claims for lost or damaged property and lost profits, which the Port has denied. Tenant lease agreements generally contain language that protects the City from any form of property damage liability. Two lawsuits have been filed in this matter and the Port's insurance carrier has accepted tender for both cases. At this early stage, the extent of the Port's liability is uncertain, and the Port's estimated costs do not appear to be materially significant.

Pollution Remediation Obligations – The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable GAAP, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination. As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods current estimates of environmental liabilities could materially change.

Port lands are subject to environmental risk elements typical of sites with a mix of light industrial activities dominated by transportation, transportation-related and warehousing activities. Due to the historical placement of fill of varying quality, and widespread use of aboveground and underground tanks and pipelines containing and transporting fuel, elevated levels of petroleum hydrocarbons and lead are commonly found on Port properties. Consequently, any significant construction, excavation or other activity that disturbs soil or fill material or bay sediment may encounter hazardous materials and/or generate hazardous waste.

The Port has identified certain environmental issues related to Port property, including polychlorinated biphenyls, polycyclic aromatic hydrocarbons and other oil contamination. The Port may be required to perform certain clean-up work if it intends to develop or lease the property, or at such time as required by the City or State. There are sites where groundwater contamination may be later identified, where the Port has primary or secondary responsibility. The potential liability for all such risk cannot be reasonably made at this time.

A 69-acre area commonly known as "Pier 70" has been used for over 150 years for iron and steel works, ship building and repair, and other heavy industrial operations. Much of the site was owned and/or occupied by the U.S. Navy or its contractors for at least 60 years. A long history of heavy industrial use has turned this area into a "brownfield" – an underutilized property area where reuse is hindered by actual or suspected contamination. Fifteen acres remain occupied by an on-going ship

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repair facility. Environmental conditions exist that require investigation and remediation prior to any rehabilitation or development for adaptive reuse. The lack of adequate information about environmental conditions has hindered previous development proposals for Pier 70.

Investigation work completed in 2011 reduced the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan. The Regional Water Quality Control Board approved the Risk Management Plan in January 2014. The Risk Management Plan provides institutional controls (e.g. use restrictions, health and safety plans) and engineering controls (e.g. capping contaminated soil) to protect current and future users and prevent adverse impact to the environment. The Risk Management Plan specifies how future development, operation, and maintenance will implement the remedy, by covering existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil.

Previous investigation of the northeast shoreline of Pier 70, in an area for development as the future "Crane Cove Park", found that near-shore sediment is contaminated with metals, petroleum hydrocarbons and polychlorinated biphenyls at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development of the area for public access and recreation. In 2018, the Port entered into a disposition and development agreement with a developer for the 28-acre Waterfront Site. The developer assumes substantial responsibility for capping contaminated soil in the project area according to a Risk Management Plan. The remaining accrued cost for pollution remediation at Pier 70, represents the estimated contract value for the soil cap between Crane Cove Park and the shipyard and a sediment cap underwater northwest of the shipyard, is estimated at \$4.5 million at June 30, 2021.

Other environmental conditions on Port property include polycyclic aromatic hydrocarbons and oil contamination at various sites. The Port may be required to perform certain clean-up work if it intends to develop or lease such property, or at such time as may be required by the City or State. As of June 30, 2021, pollution remediation liabilities are estimated at \$5.8M for the rest of the Port's properties.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30, 2021, is as follows:

	Environmental Remediation
Environmental liabilities at July 1, 2020	\$ 2,942
Current year claims and changes in estimates	7,388
Environmental liabilities at June 30, 2021	<u>\$ 10,330</u>

(c) San Francisco Water Enterprise

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. In fiscal year 2020-21, the Water Enterprise sold water, approximately 68,812 million gallons annually, to a total population of approximately 2.7 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission, established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy and CleanPowerSF), and the San Francisco Wastewater Enterprise. Under Proposition E, the City's Charter Amendment approved by the voters in June 2008, the Mayor nominates candidates subject to qualification requirements to the Commission and the Board of Supervisors votes to approve the nominees by a majority (at least six members).

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Pledged Revenues – The Water Enterprise has pledged future revenues to repay various bonds and State Revolving Fund loans. Proceeds from the revenue bonds and State Revolving Fund loans provided financing for various capital construction projects and to refund previously issued bonds. These bonds and State Revolving Fund loans are payable solely from revenues of the Water Enterprise and are payable through fiscal year 2050-51.

The original amount of revenue bonds and State Revolving Fund loans issued, total principal and interest remaining, principal and interest paid during 2021 and applicable revenues for 2021 are as follows:

Bonds issued with revenue pledge	\$ 4,891,480
Principal and interest remaining due at end of the fiscal year	7,771,993
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge.....	107,407
Bond principal and interest paid in the fiscal year	248,427
Net revenues	339,046
Funds available for revenue bond debt service	467,738

Water Balancing Account – During fiscal year 2020-21, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was \$276.0 million. Such amounts are subject to final review by wholesale customers, along with a trailing wholesale balancing account compliance audit of the wholesale revenue requirement calculation. As of June 30, 2021, the Water Enterprise owed the Wholesale Customers \$60.9 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2021, the Water Enterprise had outstanding commitments with third parties of \$185.2 million for various capital projects and other purchase agreements.

Environmental Issue – As of June 30, 2021, the total pollution remediation liability was \$1.3 million, for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area.

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and electricity from Hetch Hetchy Power at market rates. These amounts, totaling approximately \$44.1 million and \$9.8 million, respectively, for the year ended June 30, 2021, are included in the operating expenses for services provided by other departments in the Water Enterprise's financial statements.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Water Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately \$16.3 million for the year ended June 30, 2021 and have been included in services provided by other departments.

(d) Hetch Hetchy Enterprise

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy or the Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City. CleanPowerSF, launched in May 2016, provides green electricity from renewable sources to residential and commercial customers in San Francisco and was reported as part of Hetch Hetchy starting fiscal year 2016. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewable.

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Approximately 81.0% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the SFMTA, the Recreation and Park Department, the Port, the Airport and its tenants, SFGH, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 19.0% balance of electricity is sold to CleanPowerSF and other publicly owned utilities districts. As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the other utility districts to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the California Independent System Operator (CAISO). Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, state and federal power matters before the California Public Utilities Commission (CPUC), the CAISO, and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

Segment Information – Hetch Hetchy Power issued debt to finance its improvements. The Hetch Hetchy Water fund, the Hetch Hetchy Power fund, and CleanPowerSF fund are reported for in a single enterprise. However, investors in the debt rely solely on the revenue generated by the individual activities for repayment. Summary financial information for Hetch Hetchy is presented below:

Condensed Statements of Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Assets*:				
Current assets.....	\$ 91,009	\$ 227,134	\$ 121,342	\$ 439,485
Receivables from other funds and component units.....	-	12,457	-	12,457
Noncurrent restricted cash and investments.....	6,990	8,931	-	15,921
Other noncurrent assets.....	152	753	-	905
Capital assets.....	177,481	492,056	-	669,537
Total assets.....	275,632	741,331	121,342	1,138,305
Deferred outflows of resources:				
Pensions.....	7,799	9,531	803	18,133
Other postemployment benefits.....	3,725	4,552	442	8,719
Total deferred outflows of resources.....	11,524	14,083	1,245	26,852
Liabilities:				
Current liabilities.....	15,857	166,435	17,389	199,681
Noncurrent liabilities.....	43,561	112,760	15,112	171,433
Total liabilities.....	59,418	279,195	32,501	371,114
Deferred inflows of resources:				
Pensions.....	988	1,207	1,093	3,288
Other postemployment benefits.....	2,085	2,548	1,913	6,546
Total deferred inflows of resources.....	3,073	3,755	3,006	9,834
Net position:				
Net investment in capital assets.....	177,481	323,066	-	500,547
Restricted for capital projects.....	-	99	-	99
Restricted for debt service.....	-	-	-	-
Unrestricted.....	47,184	149,299	87,080	283,563
Total net position.....	\$ 224,665	\$ 472,464	\$ 87,080	\$ 784,209

* Certain amounts presented herein have been reclassified from the Statement of Net Position

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Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Operating revenues.....	\$ 47,090	\$ 136,383	\$ 207,698	\$ 391,171
Depreciation expense.....	(6,009)	(15,627)	-	(21,636)
Other operating expenses.....	(44,508)	(130,011)	(212,716)	(387,235)
Operating income (loss).....	(3,427)	(9,255)	(5,018)	(17,700)
Nonoperating revenues (expenses):				
Federal and state grants.....	1,349	1,483	-	2,832
Interest and investment income	(232)	24	51	(157)
Interest expense.....	-	(1,970)	(18)	(1,988)
Other nonoperating revenues net of expenses.....	(60)	17,107	927	17,974
Transfers in (out), net.....	16,000	(532)	-	15,468
Change in net position.....	13,630	6,857	(4,058)	16,429
Net position at beginning of year.....	211,035	465,607	91,138	767,780
Net position at end of year.....	\$ 224,665	\$ 472,464	\$ 87,080	\$ 784,209
Condensed Statements of Cash Flows	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Net cash provided by (used in):				
Operating activities.....	\$ 5,165	\$ (5,217)	\$ 5,743	\$ 5,691
Noncapital financing activities.....	19,285	18,801	692	38,778
Capital and related financing activities.....	(16,981)	(17,590)	-	(34,571)
Investing activities.....	739	1,986	802	3,527
Increase (decrease) in cash and cash equivalents.....	8,208	(2,020)	7,237	13,425
Cash and cash equivalents at beginning of year.....	88,068	202,285	83,527	373,880
Cash and cash equivalents at end of year.....	\$ 96,276	\$ 200,265	\$ 90,764	\$ 387,305

Pledged Revenues – Hetch Hetchy Power has pledged future power revenues to repay the 2008 Clean Renewable Energy Bonds (CREBs), the 2011 Qualified Energy Conservation Bonds (QECBs), and the 2015 New Clean Renewable Energy Bonds (NCREBs). Additionally, Hetch Hetchy Power has pledged future power revenues for 2015 Series AB power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. The Series 2015 AB power revenue bonds are payable through fiscal year 2045-46 and are solely payable from net revenues of Hetch Hetchy Power on a senior lien basis to the 2008 CREBs, the 2011 QECBs, and the 2015 NCREBs.

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The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, and applicable revenues for fiscal year 2020-21 are as follows:

Hetch Hetchy Power

Bonds issued with revenue pledge	\$ 64,871
Bond principal and interest remaining due at end of the fiscal year	71,082
Bond principal and interest paid in the fiscal year*	5,368
Net revenues	10,609
Funds available for revenue bond debt service	34,178

* Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 series AB power revenue bonds, which has a senior lien on power enterprise revenues; principal and interest paid during the year for the 2015 Series AB power revenue bonds was \$2,567.

Commitments and Contingencies – As of June 30, 2021, Hetch Hetchy had outstanding commitments with third parties of \$143.4 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District and Turlock Irrigation District (collectively the Districts) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's operating expenses. Total payments were \$5.1 million in fiscal year 2020-21. The payments are to be made for the duration of the license but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries, in the lower Tuolumne River, for the duration of the license. A maximum monitoring expense of \$1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52.0% and the Districts are responsible for 48.0% of the costs.

Hetch Hetchy Power

Upon expiration of the City's previous Interconnection Agreement with PG&E, the City began taking service in 2015 under the Wholesale Distribution Tariff (WDT) for distribution service and under the CAISO Open-Access Transmission Tariff for transmission service. The FERC-regulated Wholesale Distribution Tariff is implemented by PG&E through the City specific Service Agreements and Interconnection Agreements. The terms of these agreements have been in contention since the effective date. The City is continuing to negotiate with PG&E and, where necessary, filing complaints and protests at FERC. In September 2020, PG&E filed a revised WDT. Under the terms of the new WDT, the City would pay substantially higher rates, at least twice to potentially four times the current charges, and be required to install costly and inefficient equipment not needed for technical, safety or reliability of operations. In addition, Hetchy Power would no longer be allowed to connect to the "network" grid in the center of San Francisco; have new secondary interconnections; and/or serve any small, typically unmetered loads, such as streetlights, traffic signal and bus shelters.

Staff prepare regular reporting to the Board of Supervisors outlining on-going disputes with PG&E over project requirements, costs and delays. During fiscal year 2020-21, Hetch Hetchy Power purchased \$8.9 million of distribution services and other support services from PG&E under the terms of the service agreements and Interconnection Agreements that implement the WDT. The City continues to litigate and dispute these terms at FERC and in the court systems; and pursue the purchase of the electric grid in San Francisco.

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Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal year 2020-21, Hetchy Power did not purchase power and other related products. There was \$0.5 million of excess power sales after meeting Hetchy's obligations in fiscal year 2020-21.

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year Power Purchase Agreement (PPA) with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility. The PPA sets the purchase price of generated energy at \$235/MWh, increased by 3.0% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2020-21, the facility generated 6,598 MWh and rate was at \$324/MWh.

In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120.0% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal year 2020-21, purchases of energy under the PPA were \$2.1 million or 6,598 MWh.

CleanPowerSF

CleanPowerSF launched in May 2016 and entered into contracts with Calpine Energy Services L.P. (Calpine) and Shiloh I Wind Project LLC (Shiloh) to purchase renewable and conventional energy and resource adequacy capacity to meet its retail sales obligations. Both contracts feature 10-year master agreements under which multiple transactions may be executed. Calpine did not have any reserve balance requirement in fiscal year 2020-21.

Since its launch, CleanPowerSF has added multiple short-term and medium-term contracts to purchase renewable, carbon-free and conventional energy and resource adequacy capacity, as well as long-term contracts for renewable energy and capacity with renewable energy sPower, Terra-Gen, NextEra and EDF Renewables. These contracts have been entered to allow CleanPowerSF to both meet its existing retail sales obligations and to support future retail sales from the citywide enrollment into the CleanPowerSF program. Citywide enrollment was substantively completed with the enrollment of residential accounts in April 2019. The total power purchase cost, net of wholesale sales in fiscal year 2020-21 equaled \$188.5 million.

CleanPowerSF entered into contract with a third-party data management, billing administration, and customer care services provider in November 2015 for a three-year term, not to exceed \$5.6 million. On December 1, 2016, Noble Americas Energy Solutions was acquired by Calpine Corporation and was renamed Calpine Energy Solutions. Subsequently, CleanPowerSF's contract was assigned to Calpine Energy Solutions under its new name and ownership. In August 2018, CleanPowerSF exercised its option under the contract to extend the term for three years, through October 31, 2021, and increased the contract's not-to-exceed value to \$18.8 million. During fiscal year 2020-21, amounts paid were \$6.7 million.

In November 2020, CleanPowerSF executed a Power and Storage Purchase Agreement to purchase solar product and storage product from a solar powered generation facility and battery storage facility located at Livermore pursuant to the 25-year PPA with IP Aramis, LLC (Seller). As of June 30, 2021, CleanPowerSF received cash collateral of \$9.0 million for Development Assurance and Performance Assurance from the Seller.

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In March 2018, CleanPowerSF entered into a five-year, \$75 million Credit Agreement with J.P. Morgan Chase in order for the program to secure letters of credit to guarantee certain payment obligations of CleanPowerSF and to meet working capital needs of CleanPowerSF, if necessary. The Credit Agreement is secured by CleanPowerSF net revenues; there is no pledge of or lien on CleanPowerSF net revenues that ranks senior to the obligations of the Credit Agreement. The letters of credit, issued by J.P. Morgan Chase, were in the amount of \$13.8 million as of June 30, 2021. There was no draw against the Credit Agreement during fiscal year 2020-21.

Financial covenants include that CleanPowerSF maintain a Debt Service Coverage Ratio as defined in the Credit Agreement of not less than 1.05 for each fiscal quarter, as determined for the four consecutive fiscal quarter periods ended on the last day of such fiscal quarter. As of June 30, 2021, CleanPowerSF was not in compliance with this financial covenant as calculated for the four consecutive fiscal quarters ended on such date, resulting in a covenant event of default under the Credit Agreement. In connection with subsequent amendments to the Credit Agreement, JPMorgan Chase granted a waiver of such event of default for the period ended June 30, 2021.

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and power from Hetch Hetchy Power. Included in the operating revenues are the water assessment fees totaling \$44.1 million and purchased electricity for \$9.8 million for the year ended June 30, 2021. The water assessment fees represent a recovery to fund upcountry, water related costs that are not otherwise funded through water-related revenue. During fiscal year 2020-21, \$44.1 million of the water assessment fees were received from the Water Enterprise. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling \$10.1 million for the year ended June 30, 2021. Included in 2021 operating revenues are sales of power to departments within the City of \$82.1 million.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy and charge amounts designed to recover those departments' costs. These charges total approximately \$12.6 million for the year ended June 30, 2021 and have been included in services provided by other departments.

For the year ended June 30, 2021, operating expenses include purchase of power from Hetchy Power to CleanPowerSF were \$2.5 million.

CleanPowerSF received program support services from Hetchy Power. This amount totaled \$2.2 million for the year ended June 30, 2021.

(e) San Francisco Municipal Transportation Agency

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors, who are appointed by the Mayor and Board of Supervisors. The SFMTA's financial statements include the entire City's surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and on- and off-street parking, regulation of the taxi industry, and two nonprofit parking garage corporations operated by separate nonprofit corporations whose operations are interrelated.

The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter of the City (the Charter) in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department, and to provide the Transportation System with the resources, independence, and focus necessary to improve transit service and the City's transportation system. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenue to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A), which provided \$500 million in general obligation bonds for transportation and street infrastructure; (4) in 2014 (Proposition B), which increases general fund allocation to SFMTA based on the City's population

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increase and (5) in 2019 (Proposition D), which imposes tax on fares charged by commercial shared and private rides to fund transportation operations and infrastructure for traffic congestion mitigation in the City.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area, and eighth largest system in the United States. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world-famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to the City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 21 City owned garages and 18 metered parking lots.

Nonprofit corporations provide operational oversight to two garages, namely Japan Center Garage Corporation and Portsmouth Plaza Parking Corporation (Portsmouth). Of these two garages, Portsmouth garage is owned by the Recreation and Park Department but managed by the SFMTA. The activities of these nonprofit garages are accounted for in the parking garages account.

Pledged Revenue – In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors. The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable from all SFMTA operating revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2050-51.

Annual principal and interest payments for fiscal year 2020-21 were 12.3% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2020-21, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	\$ 457,065
Bond principal and interest remaining due at end of the fiscal year	711,524
Net revenues	171,661
Bond principal and interest paid in the fiscal year	23,326
Funds available for revenue bond debt service	194,987

Operating and Capital Grants and Subsidies – The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of SFMTA as determined by the City's budgetary accounting procedures and subject to the appropriation process. The amount of General Fund subsidy to the SFMTA was \$442.7 million in fiscal year 2020-21. The General Fund subsidy includes a total revenue baseline transfer of \$346.2 million, as required by the City Charter. In addition, SFMTA received \$38 million from an allocation of the City's parking tax. Proposition B, approved by the voters in November 2014, provides additional City General Fund resources to address transportation needs tied to the City population growth. In fiscal year 2020-21, SFMTA received \$55.6 million from this source. In fiscal year 2020-21, SFMTA also received additional City General Fund allocation of \$2.9 million to fund various capital projects such as the Chase Event Center and mixed-use development project and Community Building Program for District 5.

The SFMTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds, diesel fuel, and sales tax allocations. As of June 30, 2021, the SFMTA had various operating grants receivable of \$77.0 million. In fiscal year 2020-21, the SFMTA's operating assistance from BART's Americans with Disability Act related support of \$1.2 million, and other federal, state, and local grants of \$6.7 million, to fund project expenses that are operating in nature.

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The operating assistance from federal sources include funds received from FTA in response to COVID-19 pandemic. The SFMTA received \$176.6 million in Coronavirus Aid, Relief, and Economic Security Act funding in fiscal year 2020-21. The SFMTA was awarded \$340.9 million in the Coronavirus Response and Relief Supplemental Appropriations Act funding of which \$273.6 million was received in fiscal year 2020-21 and \$67.3 million remains to be accessed in fiscal year 2021-22.

Proposition 1B is a \$20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure is composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account Program (PTMISEA) and the California Transit Security Grant Program (CTSGP). The original legislation required funds to be obligated within three years of the date awarded. The Budget Act of 2019 re-appropriated the remaining balances of PTMISEA appropriations, which are available for encumbrance and liquidation until June 30, 2023. PTMISEA funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, bus and rail car procurement, rehabilitation, or replacement. CTSGP is administered by the California Governor's Office of Emergency Services (Cal OES). Funding from the CTSGP is for projects that protect critical transportation infrastructure and the traveling public from acts of terrorism, major disasters, and other emergencies. Per current Cal OES guidance, all funds allocated with outstanding balances shall be expended no later than March 31, 2022. The SFMTA did not receive cash in fiscal year 2020-21 from PTMISEA and CTSGP. During fiscal year 2020-21, \$1.2 million and \$1.1 million in drawdowns were made for various eligible projects from PTMISEA and CTSGP funds, respectively.

Commitments and Contingencies – The SFMTA has outstanding commitments of approximately \$303.5 million with third parties for various capital projects. Grant funding is available for the majority of this amount. The SFMTA also has outstanding commitments of approximately \$68.9 million with third parties for noncapital expenditures. Various local funding sources are used to finance these expenditures.

(f) Laguna Honda Hospital

General Fund Subsidy - The Laguna Honda Hospital (LHH) is a skilled nursing facility which specializes in serving elderly and disabled residents. The operations of LHH are subsidized by the City's General Fund. It is the City's policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2021, the subsidy for LHH was \$60.3 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 contractually and bad debt. These allowances are based on current payment rates, including per diems, Diagnosis-Related Group (DRG) reimbursement amounts and payment received as a percentage of gross charges.

Third-Party Payor Agreements - LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. Laws and regulations governing the

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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, 2021, LHH's patient receivables and charges for services were as follows:

Patient Receivables, Net				
	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	\$ 91,822	\$ 6,228	\$ 686	\$ 98,736
Less:				
Provision for Contractual Allowances	(60,751)	(4,120)	(454)	(65,325)
Total, net	<u>\$ 31,071</u>	<u>\$ 2,108</u>	<u>\$ 232</u>	<u>\$ 33,411</u>

Net Patient Service Revenue				
	Medi-Cal	Medicare	Other	Total
Gross Revenue	\$ 450,227	\$ 27,451	\$ 3,023	\$ 480,701
Less:				
Provision for Contractual Allowances	(231,795)	(23,853)	(3,675)	(259,323)
Total, net	<u>\$ 218,432</u>	<u>\$ 3,598</u>	<u>\$ (652)</u>	<u>\$ 221,378</u>

Because Medi-Cal reimbursement rates are less than LHH's established charges rates, LHH is eligible to receive supplemental federal funding. For the year ended June 30, 2021, LHH accrued and recognized \$25.9 million of revenue as a result of matching federal funds to local funds.

Unearned Credits and Other Liabilities - As of June 30, 2021, LHH recorded approximately \$59.1 million in other liabilities for third-party payor settlements payable.

Transactions with Other Funds - A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to LHH and charge amounts designed to recover those departments' costs. These charges totaled \$12.9 million for the year ended June 30, 2021 and have been included in services provided by other departments.

As of June 30, 2021, LHH has entered into various purchase contracts totaling \$1.8 million that are related to the old building remodel phase of the Replacement Project.

(g) San Francisco General Hospital

General Fund Subsidy - San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2021, the subsidy for SFGH was \$142.5 million.

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Net Patient Services Revenue - Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals, bad debt, and administrative write-offs. These allowances are based on current payment rates, including per diems, DRG amounts and payments received as a percentage of gross charges.

Third party Payor Agreements - SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Section 1115 Medicaid Waiver and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. SFGH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the fiscal year ended June 30, 2021, SFGH's patient receivables and charges for services were as follows:

Patient Receivables, Net				
	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable.....	\$ 225,165	\$ 210,740	\$ 129,561	\$ 565,466
Less:.....				
Contractual Allowance.....	(202,846)	(190,220)	(81,075)	(474,141)
Provision for Bad Debts.....	-	-	(8,967)	(8,967)
Total, Net Accounts Receivable.....	<u>\$ 22,319</u>	<u>\$ 20,520</u>	<u>\$ 39,519</u>	<u>\$ 82,358</u>

Net Patient Service Revenue				
	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue.....	\$ 1,858,186	\$ 1,032,641	\$ 944,019	\$ 3,834,846
Less:.....				
Contractual Allowance.....	(1,598,537)	(853,491)	(472,002)	(2,924,030)
Bad Debt Write Off.....	-	-	(70,690)	(70,690)
Total, Net Patient Service Revenue.....	<u>\$ 259,649</u>	<u>\$ 179,150</u>	<u>\$ 401,327</u>	<u>\$ 840,126</u>

California's Section 1115 Medicaid Waiver (Waiver), titled "Medi-Cal 2020" began on December 30, 2015. As a result of the Public Health Emergency, parts of the Waiver were extended through December 31, 2021. The Waiver is intended to help sustain the state's Medicaid Program (known as Medi-Cal) by providing California public hospitals federal funding through programs that are designed to shift focus away from hospital-based and inpatient care, towards outpatient, primary and preventative care. California's Medicaid Waiver is a fundamental component of public hospitals' ability to continue to successfully implement the Affordable Care Act (ACA) beyond the primary step of coverage expansion. In addition to fee-for-service cost-based reimbursements for inpatient hospital services, Medi-Cal 2020 waiver features four main programs: (1) a pay-for-performance delivery system

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transformation and alignment program known as PRIME (Public Hospital Redesign and Incentives in Medi-Cal); (2) Global Payment Program (GPP) for services to the uninsured in designated public hospital systems; (3) Whole Person Care Pilot Program is a county-based, voluntary program to target providing more integrated care for high-risk, vulnerable populations; and (4) Dental Transformation Incentive Program, an optional incentive program to increase the frequency and quality of dental care provided to children.

Payments received under Medi-Cal 2020 Waiver's GPP are utilization based and not dependent on Certified Public Expenditures (CPEs). However, GPP claims are subject to state and federal audit and final reconciliation. SFGH has established reserves for the uncertainty of future financial impact of potential audit and reconciliation adjustments. Revenues recognized under current and previous Medi-Cal Waivers are approximately \$116.3 million for the year ended June 30, 2021.

In addition, SFGH is 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, 2021, reimbursement under the Short-Doyle Program amounted to approximately \$6.4 million and is included in net patient service revenue.

Unearned Credits and Other Liabilities - As of June 30, 2021, SFGH recorded approximately \$340.2 million in unearned credits and other liabilities, which was comprised of \$278.0 million in unearned credits mainly related to receipts under DSH/Safety Net Care Pool, The Medicare Accelerated payment program and AB915 programs, \$61.6 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 \$264.7 million and estimated costs and expenses to provide charity care were \$74.4 million for the year ended June 30, 2021.

Other Revenues - SFGH recognized \$59.9 million of realignment funding for the year ended June 30, 2021.

With California electing to implement a state-run Medicaid Expansion afforded by the Affordable Care Act, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there was a mechanism that provided for the state to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% of the savings realized by the county. A final reconciliation has been conducted for fiscal year 2018-19 showing no realignment to be redirected. A final reconciliation will be conducted prior to June 30, 2022 for the year ended June 30, 2020.

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, 2021, was approximately \$212.9 million.

Gift - From 2014 through 2016, SFGH received \$62.4 million from San Francisco General Hospital Foundation for the acquisition of furniture, fixtures and equipment (FF&E) for the new hospital. As of June 30, 2021, SFGH has spent \$47.5 million from the gift on acquisition of FF&E as stipulated by the donor and recorded the remaining \$14.9 million as restricted net position.

Commitments and Contingencies - As of June 30, 2021, SFGH had outstanding commitments with third parties for capital projects totaling \$6.1 million.

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(h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise) was established in 1977, following the transfer of all sewage-system-related assets and liabilities of the City to the Wastewater Enterprise pursuant to bond resolution, to account for the City's municipal sewage treatment and disposal system.

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves, on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers cost of service through user fees based on the volume and strength of sanitary flow. As of June 30, 2021, the Wastewater Enterprise serves approximately 147,926 residential accounts, which discharge about 16.6 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 26,430 non-residential accounts, which discharge about 4.6 million units of sanitary flow per year.

Pledged Revenues – Wastewater Enterprise's revenues, which consist mainly of sewer service charges, are pledged for the payment of principal and interest on various revenue bonds and State Revolving Fund loans. Proceeds, from the bonds and State Revolving Fund, provided financing for various capital construction projects and to refund previously issued bonds. These bonds and State Revolving Fund loans are payable solely from net revenues of Wastewater Enterprise and are payable through fiscal years ending June 30, 2049 and 2052.

The original amount of revenue bonds issued and State Revolving Fund loans, total principal and interest remaining, principal and interest paid during fiscal year 2020-21, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	\$ 1,667,095
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge	113,681
Principal and interest remaining due at end of the fiscal year	2,578,879
Principal and interest paid in the fiscal year	82,066
Net revenues	108,399
Funds available for revenue bond and loans debt service	306,177

Commitments and Contingencies – As of June 30, 2021, the Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling \$633.3 million.

Pollution Remediation Obligations – As of June 30, 2021, the Wastewater Enterprise recorded \$7.8 million in pollution remediation liability, consisting of \$7.8 million cleanup cost estimate at the Yosemite Creek site. The pollution remediation obligation reported in the accompanying statement of net position is based on estimated contractual costs.

Transactions with Other Funds – The Wastewater Enterprise purchased power from Hetch Hetchy Power totaling \$10.1 million for the year ended June 30, 2021. The Wastewater Enterprise purchased water from Water Enterprise totaling \$1.3 million for the year ended June 30, 2021. The Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and the total charge was \$15.1 million for the year ended June 30, 2021. A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately \$11.8 million for the year ended June 30, 2021 and have been included in services provided by other departments.

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(14) SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

As discussed in Note 1, the financial statements present the Successor Agency and its component unit, an entity for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency's activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

In September 2015, the State passed Senate Bill 107 (SB 107), which clarifies and updates existing law governing the dissolution of redevelopment agencies. SB 107 includes specific language that allows the Successor Agency to issue bonds or other indebtedness for the purposes of low and moderate income housing and infrastructure in the City by allowing the pledge of revenues available in the Trust Fund that are not otherwise pledged subject to the approval of the Oversight Board. SB 107 also declares that Mission Bay North, Mission Bay South, Hunters Point Shipyard Phase 1, Candlestick Point - Hunters Point Shipyard Phase 2, and Transbay projects are finally and conclusively approved as enforceable obligations.

(a) Capital Assets Held by the Successor Agency

For the year ended June 30, 2021, the summary of changes in capital assets is as follows:

	Balance June 30, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land held for lease	\$ 4,152	\$ -	\$ -	\$ -	\$ 4,152
Capital assets being depreciated:					
Furniture and equipment - General	2,306	-	-	-	2,306
Less accumulated depreciation for:					
Furniture and equipment	(2,302)	(4)	-	-	(2,306)
Total capital assets being depreciated, net	4	(4)	-	-	-
Total capital assets, net	<u>\$ 4,156</u>	<u>\$ (4)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,152</u>

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(b) Summary of the Successor Agency's Long-Term Obligations

Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
Hotel tax revenue bonds ^(a)	2025	5.00%	\$ 16,230
Tax allocation revenue bonds ^(b)	2047	2.13% - 8.41%	738,897
Total long-term bonds and loans			<u>\$ 755,127</u>

Debt service payments are made from the following sources:

- (a) Hotel taxes from the occupancy of guest rooms in the hotels within the City.
- (b) Redevelopment property tax revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay, and Mission Bay North project areas.

Pledged Revenues for Bonds – The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e., the former tax increment). These revenues have been pledged until the year 2047, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately \$1.27 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2021 were \$128.8 million against the total debt service payment of \$97.3 million.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2025, the final maturity of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately \$18.3 million. The hotel tax revenue recognized during the year ended June 30, 2021 was \$4.5 million against the total debt service payment of \$4.5 million.

Events of Default and Remedies – The Successor Agency shall be considered to be in default if it fails to make any principal, interest, or redemption payment when due. For Tax Allocation Bonds, in the event of default, the trustee may declare the principal and accrued interest to be due and payable immediately. For Hotel Tax Revenue Bonds, in the event of default, the Successor Agency must immediately transfer to the trustee all revenues held and thereafter received to be used for expenses necessary to protect the bondholders and payment of interest and principal.

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The changes in long-term obligations for the Successor Agency for the year ended June 30, 2021, are as follows:

	July 1, 2020	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2021
Bonds payable:				
Tax revenue bonds	\$ 800,379	\$ -	\$ (61,482)	\$ 738,897
Hotel Tax Revenue Bonds	19,740	-	(3,510)	16,230
Less unamortized amounts:				
For issuance premiums	42,976	-	(2,543)	40,433
For issuance discounts	(2,805)	-	142	(2,663)
Total bonds payable	860,290	-	(67,393)	792,897
Accreted interest payable	72,364	9,150	(3,878)	77,636 ⁽¹⁾
Accrued vacation and sick leave pay	1,215	969	(193)	1,991
Successor Agency - long term obligation:	<u>\$ 933,869</u>	<u>\$ 10,119</u>	<u>\$ (71,464)</u>	<u>\$ 872,524</u>

⁽¹⁾ Amounts represent interest accretion on Capital Appreciation Bonds.

As of June 30, 2021, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

June 30,	Tax Allocation Revenue Bonds		Hotel Tax Revenue Bonds	
	Principal	Interest *	Principal	Interest
2022	\$ 58,881	\$ 36,145	\$ 3,690	\$ 812
2023	50,188	42,255	3,865	627
2024	32,834	43,201	4,220	434
2025	33,071	42,900	4,455	222
2026	30,474	31,332	-	-
2027-2031	154,841	141,193	-	-
2032-2036	154,675	110,618	-	-
2037-2041	134,779	58,078	-	-
2042-2046	80,559	21,386	-	-
2047	8,595	215	-	-
Total	<u>\$ 738,897</u>	<u>\$ 527,323</u>	<u>\$ 16,230</u>	<u>\$ 2,095</u>

* Including payment of accreted interest.

During the year ended June 30, 2010, the former Agency borrowed \$16.5 million from the Low and Moderate Income Housing Fund (LMIHF) to make payment of \$28.7 million to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon dissolution of the former Agency, the City elected to become the Housing Successor Agency and retained the former Agency's housing assets and functions, rights, powers, duties, and obligations. The Successor Agency made payments in the amount of \$1.8 million to the City during the year ended June 30, 2021, and the outstanding payable balance was \$2.9 million.

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(c) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2021, the Successor Agency had outstanding encumbrances totaling approximately \$8.2 million.

Risk Management - The Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of \$10.0 million per occurrence (\$5.0 million for employment practices liability) and a \$25 deductible per occurrence.

Operating Leases - The Successor Agency has cancelable operating leases for its office site. Total rent payments for operating leases totaled \$1.1 million for the year ended June 30, 2021.

Notes and Mortgages Receivable - During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aids the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible. During the year ended June 30, 2021, the Successor Agency disbursed \$18.2 million to the developers through this arrangement and recorded an allowance against these receivables. The Successor Agency also transferred \$75.6 million of fully allowed receivables to the City. At June 30, 2021, the gross value of the notes and mortgage receivable was \$200.6 million and the allowance for uncollectible amounts was \$199.1 million.

Special Assessment Debt without Commitment - Various community facility district bonds have been issued by the former Agency on behalf of various property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the financial statements. Debt service payments will be made by the property owners. At June 30, 2021, the Successor Agency had outstanding community facility district bonds totaling \$154.4 million.

Transbay Transit Center Agreements - In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2021, the Successor Agency distributed \$24.4 million to the TJPA. The payment was recorded as a neighborhood development deduction on the statement of changes in fiduciary net position.

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(15) TREASURE ISLAND DEVELOPMENT AUTHORITY

The Treasure Island Development Authority (TIDA) is a nonprofit public benefit corporation. TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. TIDA is governed by the seven members of the TIDA Board of Directors who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. The specific purpose of TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City.

The services provided by TIDA include administering the acquisition of former Naval Station Treasure Island from the U.S. Navy and implementing the Treasure Island Development Project; renting existing Treasure Island facilities including commercial facilities and approximately 650 housing units to generate revenues to cover operating costs; maintaining Treasure Island utilities, facilities and other infrastructure; and overseeing the U.S. Navy's remediation activities on the former naval base.

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island (Development Plan). The Development Plan was endorsed by the TIDA Board and the City's Board of Supervisors in December 2006. In May 2010, the TIDA Board and Board of Supervisors both unanimously endorsed a package of legislation that included an Update to the Development Plan and Term Sheet, terms of an Economic Development Conveyance Memorandum of Agreement (EDC MOA Term Sheet), and a Term Sheet between TIDA and the Treasure Island Homeless Development Initiative (TIHDI) now called One Treasure Island.

In April 2011, the TIDA Board and the Planning Commission certified the environmental impact report for the project and approved various project entitlements, including amendments to the Planning Code, Zoning Maps and General Plan, as well as a Development Agreement, Disposition and Development Agreement and Interagency Cooperation Agreement. These entitlements include detailed plans for land uses, phasing, infrastructure, transportation, sustainability, housing – including affordable housing, jobs and equal opportunity programs, community facilities and project financing. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report and approved the project entitlements. These project approvals established the framework and cleared the way for realization of a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring.

The development plan for the project anticipates a new San Francisco neighborhood consisting of up to 8,000 new residential housing units, new commercial and retail space, a hotel, and 290 acres of parks and public open space, including shoreline access and cultural uses. Transportation amenities being built for the project will enhance mobility on Yerba Buena Island and Treasure Island as well as link the islands to mainland San Francisco. Some amenities include a combined police/fire emergency services building; utility improvements including new water, sewer, storm, gas, electrical and communications infrastructure with new water storage reservoirs and a wastewater treatment plant; new and upgraded streets, public byways, bicycle, transit, and pedestrian facilities; and a new ferry terminal.

On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 275 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. This has been followed by four smaller transfers with full conveyance of the former base expected to be completed in 2026.

Existing structures on Yerba Buena were demolished between February and August 2016, and structures in the first area of development on Treasure Island were demolished between July 2016 and February 2017. The first infrastructure construction projects on Yerba Buena Island, including the new water reservoirs and new roadways were completed in the third quarter of 2021, and utilities and street improvements were permitted and are underway. The first residential project on Yerba Buena Island,

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a 124-unit condominium building, began construction in June 2019 and is expected to be ready for occupancy in early 2022. Geotechnical improvement of soil conditions in the first subphase area on Treasure Island were substantially completed in 2020, and the construction of new utility and roadway infrastructure is underway. The first residential project on Treasure Island – a 105-unit, 100% affordable building developed by Chinatown Community Development Center in partnership with Swords to Plowshares broke ground in the fall of 2020 and is scheduled for completion in late 2022.

TICD's Street Improvement Permit (SIP) application and subdivision map for the third subphase area was approved in the third quarter of 2021. The demolition of structures and isolation of utilities in this area have been completed, and the geotechnical ground improvement of this area is scheduled to begin in 2022.

The complete build-out of the project is anticipated to occur over fifteen to twenty years.

As of June 30, 2021, TIDA has the following payables to other City departments:

Payable to	Purpose	6/30/2021		Total
		Current	Noncurrent	
SFCTA	YBI and mobility management expenses	\$ 3,264	\$ -	\$ 3,264
General Fund	Cash coverage	8,283	-	8,283
Hetch Hetchy	Utility operations	51	-	51
Hetch Hetchy	Energy efficiency project	-	6,627	6,627
Wastewater Enterprise	Wastewater replacement & repair project	20	-	20
		<u>\$ 11,618</u>	<u>\$ 6,627</u>	<u>\$ 18,245</u>

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(16) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

“Due to” and “due from” balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City’s pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 6,045
	Port of San Francisco	642
		<u>6,687</u>
Nonmajor Governmental Funds	General Fund	71
	Nonmajor Governmental Funds	9,723
	Municipal Transportation Agency	125
		<u>9,919</u>
General Hospital Medical Center	Nonmajor Governmental Funds	<u>104</u>
San Francisco Water Enterprise	Nonmajor Governmental Funds	<u>248</u>
Hetch Hetchy Water and Power Enterprise	General Fund	452
	Nonmajor Governmental Funds	4,588
	San Francisco Wastewater Enterprise	739
		<u>5,779</u>
Municipal Transportation Agency	Nonmajor Governmental Funds	<u>45,111</u>
Port of San Francisco	Hetch Hetchy Water and Power Enterprise	<u>369</u>
San Francisco Wastewater Enterprise	Nonmajor Governmental Funds	236
	Port of San Francisco	25
		<u>261</u>
Total		<u><u>\$ 68,478</u></u>

In addition to routine short-term loans, Hetch Hetchy serves as the City’s agency for energy efficiency projects and maintains the Sustainable Energy Account (SEA) to sponsor and financially support such projects at various City departments. In this role, Hetch Hetchy may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2021, Hetch Hetchy loaned \$4.6 million to other City funds.

The SFMTA has a receivable from nonmajor governmental funds of \$45.1 million for capital and operating grants.

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Due from component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>	
General Fund	Component unit – TIDA	\$ 8,283	(1)
Nonmajor Governmental Funds	Component unit – TIDA	3,264	(1)
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	51	(1)
San Francisco Wastewater Enterprise	Component unit – TIDA	20	(1)
Nonmajor Governmental Funds	Successor Agency	2,633	(2)
Port of San Francisco	Successor Agency	642	(2)

Advance to component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	\$ 6,627	(1)
Nonmajor Governmental Funds	Successor Agency	2,896	(2)

(1) See discussion at Note 15.

(2) See discussion at Note 14(b) related to the Due to/Advances from the Primary Government.

<u>Transfers In: Funds (in thousands)</u>											
<u>Transfers Out: Funds</u>	General Fund	Nonmajor Govern- mental Funds	Internal Service Funds	Water Enterprise	Hetch Hetchy Water and Power Enterprise	Municipal Transporta- tion Agency	San Francisco General Hospital Medical Center	Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total
General Fund.....	\$ -	\$ 503,101	\$ 73	\$ 985	\$ -	\$ 442,665	\$ 142,525	\$ 1,440	\$ -	\$ 76,066	\$ 1,166,855
Nonmajor governmental funds.....	324,092	112,142	-	20,040	-	202,317	-	-	240	-	658,831
San Francisco International Airport.....	14,736	-	-	-	-	-	-	-	-	-	14,736
Water Enterprise.....	-	654	-	-	16,000	-	-	-	-	-	16,654
Hetch Hetchy Water and Power Enterprise.....	500	32	-	-	-	-	-	-	-	-	532
San Francisco General Hospital Medical Center.....	2,170	-	-	-	-	-	-	-	-	-	2,170
Wastewater Enterprise....	-	4,188	-	-	-	-	-	-	-	-	4,188
Port of San Francisco.....	-	32	-	-	-	-	-	-	-	-	32
Laguna Honda Hospital..	2,000	-	-	-	-	-	8,688	-	-	-	10,688
Total transfers out	<u>\$ 343,498</u>	<u>\$ 620,149</u>	<u>\$ 73</u>	<u>\$ 21,025</u>	<u>\$ 16,000</u>	<u>\$ 644,982</u>	<u>\$ 151,213</u>	<u>\$ 1,440</u>	<u>\$ 240</u>	<u>\$ 76,066</u>	<u>\$ 1,874,686</u>

The \$1.17 billion General Fund transfer out includes a total of \$645.5 million in operating subsidies to SFMTA, SFGH, and Laguna Honda Hospital (see Note 13). The transfer of \$503.1 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are mainly to provide support for various City programs and to provide resources for the payment of debt service.

San Francisco International Airport transferred \$14.7 million to the General Fund, representing a portion of concession revenues (see Note 13(a)). The General Fund received transfers in of \$0.5 million from Hetch Hetchy Water and Power Enterprise for repayment of Educational Revenue Augmentation Funds. The General Fund received transfers in of \$170 for interest earned by the SFGH but credited to the General Fund. The General Fund also received \$2.0 million from SFGH and \$2.0 million from Laguna Honda Hospital to fund the DPH project. SFGH also received \$8.7 million from Laguna Honda Hospital for COVID-19 emergency response uses.

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SFMTA received \$202.3 million transfers from nonmajor governmental funds, of which \$49.5 million was for capital activities, \$152.8 million was for operating activities.

The Water Enterprise transferred \$16.0 million to Hetch Hetchy Water and Power Enterprise to fund various upcountry projects, \$622 to the Art Commission for art enrichment for the SF Recycled Water, Sunol Valley Water Improvement and Mountain Tunnel Improvement projects and \$32 to the Office of the City Administrator for the Surety Bond Program. In turn, the Water Enterprise received \$20.0 million for the Emergency Firefighting Water System, \$985 from the General Fund for low income assistance programs and Native Plant Garden project.

The Wastewater Enterprise transferred \$4.0 million in art enrichment fund to the Art Commission for Southeast Plant Biosolids Digester Facilities, 1550 Southeast Community Center, and Treasure Island Capital Improvement Projects, \$156 to Recreation & Park for Crocker Amazon Park, and \$32 to the Office of the City Administrator for the Surety Bond Program. In turn, the Wastewater Enterprise received \$1.4 million from the General Fund for the Sidewalk Garden Grants Project.

The Hetch Hetchy Water and Power Enterprise transferred \$32 to the Office of the City Administrator for the Surety Bond Program.

The Port of San Francisco received \$240 transfer in for Port's capital projects and transferred \$32 to the Office of the City Administrator for the Surety Bond Program.

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(17) COMMITMENTS AND CONTINGENT LIABILITIES

Operating Leases

The City has noncancelable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Governmental Activities

Fiscal Years	
2022.....	\$ 64,281
2023.....	57,319
2024.....	43,117
2025.....	34,100
2026.....	25,677
2027-2031.....	74,293
2032-2036.....	35,738
2037-2041.....	15,993
2042-2046.....	583
Total.....	<u>\$351,101</u>

Operating lease expense incurred for governmental activities for fiscal year 2020-21 was approximately \$66.5 million.

Business-type Activities

Fiscal Years	Airport	Port	SFGH	SFMTA	Total Business-type Activities
2022.....	\$ 259	\$ 3,338	\$ 6,663	\$ 20,686	\$ 30,946
2023.....	260	4,104	4,688	8,559	17,611
2024.....	75	4,104	1,626	6,677	12,482
2025.....	75	4,104	662	5,370	10,211
2026.....	75	4,268	662	4,365	9,370
2027-2031.....	-	22,486	662	21,541	44,689
2032-2036.....	-	22,486	441	9,606	32,533
2037-2041.....	-	22,486	-	1,773	24,259
2042-2046.....	-	22,486	-	2,052	24,538
2047-2051.....	-	22,486	-	13,277	35,763
2052-2056.....	-	22,486	-	-	22,486
2057-2061.....	-	22,486	-	-	22,486
2062-2066.....	-	16,115	-	-	16,115
Total.....	<u>\$ 744</u>	<u>\$ 193,435</u>	<u>\$ 15,404</u>	<u>\$ 93,906</u>	<u>\$ 303,489</u>

Operating lease expense incurred for the Airport, Port, SFGH and SFMTA for fiscal year 2020-21 was \$0.4 million, \$2.8 million, \$10.1 million, and \$27.3 million, respectively.

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Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

Governmental Activities

<u>Fiscal Years</u>	
2022.....	\$ 5,834
2023.....	5,034
2024.....	4,590
2025.....	4,540
2026.....	4,456
2027-2031.....	20,102
2032-2036.....	17,960
2037-2041.....	17,960
2042-2046.....	17,145
2047-2051.....	243
Total.....	<u><u>\$ 97,864</u></u>

Business-type Activities

<u>Fiscal Years</u>	<u>Airport</u>	<u>Port</u>	<u>SFGH</u>	<u>SFMTA</u>	<u>Total Business-type Activities</u>
2022.....	\$ 82,489	\$ 55,121	\$ 1,892	\$ 3,112	\$ 142,614
2023.....	80,842	45,563	1,949	2,924	131,278
2024.....	76,910	35,973	2,007	2,713	117,603
2025.....	73,263	30,910	2,068	1,926	108,167
2026.....	31,597	28,991	2,130	1,695	64,413
2027-2031.....	51,423	125,403	14,188	6,250	197,264
2032-2036.....	-	106,826	-	6,250	113,076
2037-2041.....	-	73,833	-	6,250	80,083
2042-2046.....	-	50,814	-	6,250	57,064
2047-2051.....	-	36,184	-	12,083	48,267
2052-2056.....	-	15,515	-	-	15,515
2057-2061.....	-	13,449	-	-	13,449
2062-2066.....	-	13,449	-	-	13,449
2067-2071.....	-	6,648	-	-	6,648
2072-2076.....	-	5,399	-	-	5,399
2077-2081.....	-	370	-	-	370
Total.....	<u><u>\$ 396,524</u></u>	<u><u>\$ 644,448</u></u>	<u><u>\$ 24,234</u></u>	<u><u>\$ 49,453</u></u>	<u><u>\$ 1,114,659</u></u>

The Airport and Port have certain rental agreements with concessionaires, which specify that rental payments are to be based on a percentage of tenant sales, subject to a minimum amount. Concession percentage rents in excess of minimum guarantees for the Airport and Port were approximately \$1.5 million and \$4.8 million, respectively, in fiscal year 2020-21. Airport's concession agreements provide that the MAG does not apply if the actual enplanements achieved during a one-month period is less than 80% of the actual enplanements of the same reference month in the reference year, and such shortfall continues for three consecutive months, and the reduced enplanement levels during the COVID-19 pandemic have resulted in inapplicability of the MAG pursuant to these provisions. The MAG

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is reinstated once monthly enplanements equal or exceed 80% for the reference month enplanement for two consecutive months. Effective September 1, 2020, new five-year leases, with two (2) additional two-year extension options, exercisable at the sole discretion of the Airport, commenced with four rental car companies. The agreements provide for an aggregate MAG of \$47.2 million. However, the MAG has been suspended since the effective date of the leases and will continue to be suspended until enplanements return to 80% of the levels seen for the "Reference Year" for the leases, which is 2017 (the calendar year before the leases were awarded), for a period of at least two months (compared to the same months in the Reference Year). While the MAG is suspended, only percentage rent equal to 10% of gross revenues will be due from the rental car operators.

Other Commitments

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of \$2.26 billion, private equity in the amount of \$3.30 billion, private credit in the amount of \$1.70 billion, and absolute return investments in the amount of \$336.3 million, which totaled \$7.59 billion at June 30, 2021.

In February 2011, the Asian Art Museum Foundation (Foundation) entered into an agreement with JP Morgan Chase Bank to refinance its obligations of \$97.0 million. To facilitate the refinancing, the City entered into an assurance agreement which, in the event of nonpayment by the Foundation, requires the City to seek an appropriation to make debt payments as they become due. Since the City has not legally guaranteed the debt, and the City believes that the likelihood of nonpayment by the Foundation is remote, no amount is recorded in the City's financial statements related to this agreement.

(18) RISK MANAGEMENT

Risk Retention Program Description

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for SFMTA); medical malpractice; natural disasters; employee health benefit claim payments for direct provider care (collectively referred to herein as estimated claims payable); and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations.

The Airport carries aviation liability insurance coverage of \$1.0 billion with \$250.0 million in War Perils Liability, subject to a deductible of \$10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a limit of \$1.0 billion per single occurrence and a deductible of \$500 per single occurrence. This policy includes flood coverage up to a \$10.0 million sub-limit and business interruption coverage up to a \$100.0 million pooled sub-limit. The Airport carries public officials' liability and employment practices liability coverage of \$5.0 million, subject to a deductible of \$100 per single occurrence for each wrongful act other than employment practices' violations, and \$250 per each occurrence for each employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment, cyber liability, and watercraft liability for Airport fire and rescue vessels, and target range liability for the San Francisco Police Department's firearms range located at the Airport. The Airport is not required to nor does it carry insurance or self-insure against any risks due to land movement or seismic activity. The Airport's purchase of War Perils Liability in the London markets extends coverage to terrorist acts.

The Port carries the following insurance (listed coverage limits and related deductible amounts are effective July 1, 2021): 1) marine general liability coverage of \$100.0 million, subject to a deductible of \$100 per occurrence; 2) hull and machinery liability coverage of \$1.0 million, subject to a deductible of \$100 per occurrence; 3) commercial property insurance for Port facilities, subject to a maximum of

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\$140.0 million and a deductible of \$10.0 million per occurrence (increased from a maximum of \$100.0 million and a deductible of \$5.0 million per occurrence before July 1, 2021); and 4) public officials and employee liability coverage of \$5.0 million, subject to a deductible of \$50 per occurrence. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high value Port vehicles, water pollution, and data processing equipment. In addition to the above, the Port requires most of its tenants, licensees, and contractors on all contracts to carry commercial general liability insurance in various amounts naming the Port Commission and the City as additional insured parties. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages the risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA's general policy is to first evaluate self-insurance for the risks of loss to which it is exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

Risks	Coverage
a. General/Transit Liability	Self-insured
b. Property	Self-insured and purchase insurance
c. Workers' Compensation	Self-insured
d. Employee (transit operators)	Purchase insurance
e. Directors and Officers	Purchase insurance

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately \$3.0 million. The annual budget for claims was \$8.6 million for fiscal year 2020-21. As of June 30, 2021, the reserve was \$31.8 million. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

The SFMTA purchases property insurance on its facilities, Breda light rail cars, and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. For SFMTA contractors, SFMTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and SFMTA's property. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per a Memorandum of Understanding with the Transport Workers' Union and has purchased insurance to cover errors and omissions of its board members and senior management.

Estimated Claims Payable

Numerous lawsuits are pending or threatened against the City. The City's liability as of June 30, 2021 has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

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Changes in the reported estimated claims payable since July 1, 2019, resulted from the following activity:

<u>Fiscal Year</u>	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Fiscal Year Liability</u>
2019-2020	\$ 343,501	\$ 77,433	\$ (82,260)	\$ 338,674
2020-2021	338,674	86,603	(34,922)	390,355

Breakdown of the estimated claims payable at June 30, 2021 is follows:

<u>Governmental activities:</u>	
Current portion of estimated claims payable.....	\$ 83,426
Long-term portion of estimated claims payable.....	121,427
Total	<u>\$ 204,853</u>
<u>Business-type activities:</u>	
Current portion of estimated claims payable.....	\$ 84,110
Long-term portion of estimated claims payable.....	101,392
Total	<u>\$ 185,502</u>

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2021 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, 2021 was \$536.9 million, which is reported in the appropriate individual funds in accordance with the City's accounting policies.

Changes in the reported accrued workers' compensation since July 1, 2019, resulted from the following activity:

<u>Fiscal Year</u>	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Fiscal Year Liability</u>
2019-2020	\$ 508,358	\$ 117,671	\$ (101,402)	\$ 524,627
2020-2021	524,627	118,720	(106,408)	536,939

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Breakdown of the accrued workers' compensation liability at June 30, 2021 is as follows:

<u>Governmental activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 56,729
Long-term portion of accrued workers' compensation liability..	<u>249,093</u>
Total	<u>\$ 305,822</u>
<u>Business-type activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 40,621
Long-term portion of accrued workers' compensation liability..	<u>190,496</u>
Total	<u>\$ 231,117</u>

(19) SUBSEQUENT EVENTS

(a) Debt Issuance

In July 2021, the City issued \$1.0 million of tax-exempt CP with an interest rate of 0.07% and maturity of August 2021 to provide new money for the construction of a homeless services center to be located within the City.

In August 2021, the City rolled over \$9.0 million of tax-exempt CP issued for capital equipment for the San Francisco General Hospital and the costs of construction of a homeless services center with an interest rate of 0.06% and maturity of September 2021.

In August 2021, the City issued General Obligation Bonds Series 2021C (Transportation and Road Improvement, Tax Exempt Series 2021C-1 and Taxable Series 2021C-2) (Series 2021C Bonds) in the amount of \$104.8 million and \$18.0 million, respectively. The Series 2021C-1 Bonds bear interest rates of 4.0% and 5.0% and will mature through June 2046 and the Series 2021C-2 Bonds bear an interest rate of 0.08% and will finally mature in October 2021. The Series 2021C Bonds were issued to provide funds to construct, redesign and rebuild streets and sidewalks and to make infrastructure repairs and improvements that increase Muni service reliability, ease traffic congestion, reduce vehicle travel times, enhance pedestrian, and bicycle safety, and improve disabled access, and to pay certain costs related to the issuance of the Series 2021C Bonds.

In August 2021, the City issued General Obligation Bonds Series 2021D (Health and Recovery, Tax Exempt Series 2021D-1 and Taxable Series 2021D-2) (Series 2021D Bonds) in the amount of \$194.3 million and \$64.3 million, respectively. The Series 2021D-1 Bonds bear interest rates of 4.0% and 5.0% and will mature through June 2046 and the Series 2021D-2 Bonds bear interest rates of 0.08% and 0.25% and will finally mature in June 2022. The Series 2021D Bonds were issued to finance the acquisition or improvement of real property, including to stabilize, improve, and make permanent investments in supportive housing facilities, shelters, and/or facilities that deliver services to persons experiencing mental health challenges, substance use disorder and/or homelessness; improve the accessibility, safety and quality of parks, open spaces and recreation facilities; improve the accessibility, safety and condition of the City's streets and other public right-of-way and related assets; and to pay certain cost related to the issuance of the Series 2021D Bonds.

In August 2021, the City issued General Obligation Bonds Series 2021E (Earthquake Safety and Emergency Response, Tax Exempt Series 2021E-1 and Taxable Series 2021E-2) (Series 2021E Bonds) in the amount of \$74.1 million and \$13.0 million, respectively. The Series 2021E-1 Bonds bear interest rates of 4.0% and 5.0% and will mature through June 2046 and the Series 2021E-2 Bonds bear an interest rate of 0.08% will finally mature in October 2021. The Series 2021E Bonds were issued to provide funds to improve fire, earthquake, and emergency response by improving, constructing, and/or replacing deteriorating cisterns, pipes, and tunnels, and related facilities to ensure firefighters a reliable

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water supply for fires and disasters; neighborhood fire and police stations and supporting facilities; the City's 911 Call Center; and other disaster response and public safety facilities, and to pay certain cost related to the issuance of the Series 2021E Bonds.

In September 2021, the City issued \$18.8 million of taxable CP with an interest rate of 0.09% and maturity of December 2021, and \$9.0 million of tax-exempt CP with an interest rate of 0.07%, with maturity of October 2021. The taxable CP was issued to refund \$18.8 million of maturing CP used to provide funds to assist in the development, acquisition, construction, or rehabilitation of affordable rental housing projects. The tax-exempt CP was issued to refund \$9.0 million of maturing CP issued to finance the costs of the acquisition of furniture, fixtures and equipment for the San Francisco General Hospital and the costs of construction of a homeless services center to be located within the City.

In September 2021, the City issued General Obligation Bonds Series 2021-R2 (2021-R2 Bonds) in the amount of \$86.9 million with an interest rate of 5.0% and principal maturing from June 2022 through June 2028 to refund certain outstanding general obligation bonds described below and to pay certain costs related to the issuance of the 2021-R2 Bonds.

General Obligation Bonds, Series 2021-R2 (Forward Delivery)				
Description of Bonds	Principal Refunded	Maturities Refunded	Redemption Price	Redemption Date
Refunding Bonds S2011-R1	\$ 94,125	2022-2030	100%	12/15/2021

On the date of delivery of the 2021-R2 Bonds, the proceeds of the bonds in the amount of \$96.4 million were deposited with U.S. Bank National Association as escrow agent. The funds deposited and held with the escrow agent, together with investment earnings thereon were enough to pay the principal and interest on the refunded bonds on December 15, 2021 redemption date and to pay the cost of issuance of the 2021-R2 Bonds.

In October 2021, the City rolled over \$9.0 million of tax-exempt CP issued for capital equipment for the San Francisco General Hospital and the costs of construction of a homeless services center with an interest rate of 0.08% and maturity of October 2021. The City subsequently issued \$9.8 million of tax-exempt CP to refund the \$9.0 million of maturing CP used to provide funds for capital equipment for the San Francisco General Hospital and the costs of construction of a homeless services center with an interest rate of 0.08% and maturity of November 2021.

In October 2021, the Transportation Authority entered into a new Revolving Credit Agreement (RCA) with U.S. Bank National Association (U.S. Bank) for \$125.0 million. Amount borrowed under the RCA assumes a rate of interest equal to the sum of Securities Industry and Financial Markets Association (SIFMA) Index plus a fixed credit spread (subject to adjustment if the Transportation Authority's credit rating changes) and unborrowed amounts under the RCA are subject to a commitment fee of 0.20%. The Transportation Authority's new RCA expires on October 4, 2024. The RCA is secured by a lien on the Transportation Authority's sales tax revenues subordinate to the lien on the sales tax revenues securing the Transportation Authority's Series 2017 Bonds. The Transportation Authority will use the RCA to fund the capital projects and programs included in the Prop K Expenditure Plan.

In November 2021, the SFPUC issued its San Francisco Wastewater Revenue Bonds, 2021 Sub-Series A (SSIP) (Green Bonds), and Sub-Series B (non-SSIP) together with an aggregate principal of \$297.9 million to refund approximately \$340.0 million aggregate principal amount of CP notes issued pursuant to the Wastewater Enterprise's CP program to finance or refinance a portion of the design, acquisition and construction of various capital projects in furtherance of the SFPUC's SSIP and Wastewater Capital Improvement Program.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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In November 2021, the SFPUC issued its San Francisco Wastewater Revenue Notes, 2021 Sub-Series A (SSIP-Biosolids) (Green Notes), and Sub-Series B (SSIP-SEP Improvements) (Green Notes) together with an aggregate principal of \$347.5 million to finance a portion of the design, acquisition and construction of the Biosolids Digester Facility Project and Southeast Water Pollution Control Plant improvements.

In November 2021, the City issued \$3.9 million of tax-exempt CP with an interest rate of 0.09% and a maturity of December 2021 to provide new money for improvements to Laguna Honda Hospital, provide new money for critical repair capital improvement projects, and to refund CP issued to finance the construction of a homeless services center; and paid down \$8.7 million of tax-exempt CP issued for capital equipment for the San Francisco General Hospital.

In December 2021, the City issued \$18.8 million of taxable CP with an interest rate of 0.10% and maturity of January 2022, and \$4.5 million of tax-exempt CP with an interest rate of 0.09%, with maturity of January 2022. The taxable CP was issued to refund \$18.8 million of maturing CP used to provide funds to assist in the development, acquisition, construction, or rehabilitation of affordable rental housing projects. The tax-exempt CP was issued to refund maturing CP and provide new money for the construction of a homeless services center, and to refund maturing CP issued to finance improvements to Laguna Honda Hospital and critical repair capital improvement projects.

In December 2021, the SFPUC issued its San Francisco Power Revenue Bonds, 2021 Sub-Series A (Green), and Sub-Series B together with an aggregate principal of \$124.0 million to refund approximately \$137.7 million aggregate principal amount of CP notes issued pursuant to the Power Enterprise's CP program to finance or refinance a portion of the design, acquisition, and construction of various capital projects in furtherance of the SFPUC's Power Enterprise capital improvement program.

In December 2021, the SFPUC issued \$23.0 million in Power Enterprise CP notes to finance a portion of the design, acquisition, and construction of various capital projects in furtherance of the SFPUC's Power Enterprise capital improvement program. The CP notes were refinanced with proceeds of the Power Revenue Bonds Series 2021 AB issuance on December 22, 2021.

In January 2022, the City rolled over \$18.8 million of taxable CP with an interest rate of 0.15% and maturity of March 2022, and \$4.5 million of tax-exempt CP with an interest rate of 0.08%, with maturity of February 2022. The taxable CP was issued to refund \$18.8 million of maturing CP used to provide funds to assist in the development, acquisition, construction, or rehabilitation of affordable rental housing projects. The tax-exempt CP was issued to refund maturing CP for the construction of a homeless services center, improvements to Laguna Honda Hospital and critical repair capital improvement projects.

(b) Others

CleanPowerSF Guarantee

In November 2021, CleanPowerSF and JPMorgan Chase Bank, National Association (JPMorgan) executed amendments to the March 2018 Credit Agreement. In connection with the amendments, JPMorgan waived the debt service coverage covenant event of default. Among other things, the amendments provided for a decrease in the Credit Agreement amount to \$20.0 million from \$75.0 million at the request of CleanPowerSF, and extended the agreement to March 2024. Additional changes to the agreement include elimination of target reserve requirements, revisions to debt service coverage and rate setting covenants, changes to ongoing reporting requirements to the bank, and changes to events of default, including the addition of an event of default if CleanPowerSF's credit rating is downgraded below investment grade or suspended, withdrawn or otherwise unavailable.

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

SFPUC's Claim to California State for Arrearages Relief

The California State Water Board is administering funds to community water and wastewater systems for the California Water and Wastewater Arrearage Payment Program (Program) during fiscal year 2021-22, sourced by the American Rescue Plan Act. The Program was created to provide relief for unpaid bills related to the COVID-19 pandemic. Program guidelines for Wastewater arrearage relief are expected no later than February 2022, after all water arrearage relief has been distributed. The SFPUC has submitted surveys to the State Water Board with information on water arrearages accrued during the pandemic and is in the process of submitting an application. Funds of approximately \$7.3 million for water arrearage relief are expected to reach the SFPUC sometime in early 2022.

The California Department of Community Services & Development is administering funds to energy utilities for the California Arrearage Payment Program (Program) during fiscal year 2021-22, sourced by the American Rescue Plan Act. The Program was created to provide relief for unpaid bills related to the COVID-19 pandemic. The SFPUC has submitted surveys to the Department of Community Services & Development. Hetch Hetchy received notice from California Department of Community Services & Development on October 28, 2021 stating that \$1.2 million will be allocated to Hetchy Power and \$2.4 million will be allocated to CleanPowerSF. Funds for energy arrearage relief are expected to reach the agency sometime in early 2022.

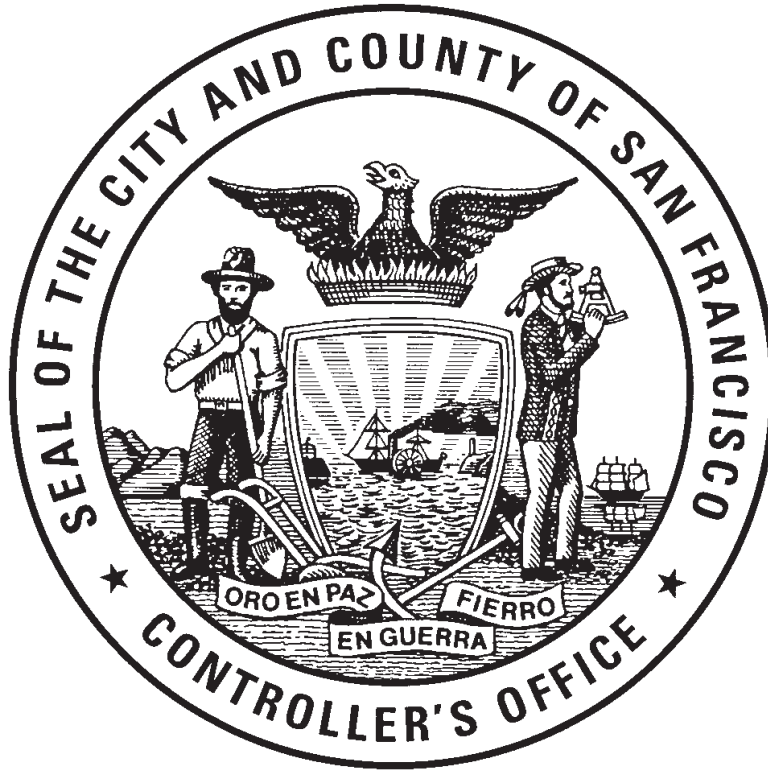
Declaration of Emergency

In August 2021, a water main ruptured at 22nd Avenue and Sloat Boulevard, causing flooding to adjacent areas. In accordance with Chapter 6, Article IV, Section 6.60(d) of the Administrative Code of the City, the SFPUC declared an emergency relating to this event. As of issuance date, the Water Enterprise has spent \$387 towards restoration.

Federal Grants

In August 2021, the Airport executed a grant agreement with the FAA for approximately \$169.0 million of federal American Rescue Plan Act (ARPA) grant funds for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport, and debt service payments. In December 2021, the Airport executed a grant agreement with the FAA for approximately \$23.8 million of ARPA grant funds for the purpose of providing rent relief to eligible concessionaires.

In September 2021, the SFMTA was awarded operating assistance of \$288.2 million through FTA Section 5307 Urbanized Area Formula Program to prevent, prepare for, and respond to the COVID-19 pandemic. In December 2021, the total funding for this grant was amended and increased to \$536.5 million. The SFMTA was also awarded grant funds through FTA Section 5309 Capital Investment Grant to help pay for increased capital project costs caused by the COVID-19 pandemic. In August and September 2021, the SFMTA was granted \$21.9 million for Van Ness Bus Rapid Transit Project and \$23.1 million for Central Subway Project, respectively.



**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of the City's Proportionate Share of the Net Pension Liability June 30, 2021 (Dollars in Thousands)

	For the year ended June 30, 2021				
	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.3903%	-0.1489%	0.0244%	0.2967%	0.0002%
Proportionate share of the net pension liability (asset)	\$ 5,107,273	\$ (16,206)	\$ 2,659	\$ 32,279	\$ 21
Covered payroll	\$ 3,378,945	\$ 179	\$ 4,423	\$ 6,745	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	151.15%	-9053.63%	60.12%	478.56%	N/A
Plan fiduciary net position as a percentage of total pension liability	83.10%	75.10%	75.10%	75.10%	75.10%

	For the year ended June 30, 2020				
	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.1288%	-0.1541%	0.0230%	0.2908%	0.0002%
Proportionate share of the net pension liability (asset)	\$ 4,213,809	\$ (15,793)	\$ 2,352	\$ 29,803	\$ 25
Covered payroll	\$ 3,186,405	\$ 359	\$ 4,396	\$ 6,384	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	132.24%	-4399.16%	53.50%	466.84%	N/A
Plan fiduciary net position as a percentage of total pension liability	85.30%	75.26%	75.26%	75.26%	75.26%

	For the year ended June 30, 2019				
	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.1042%	-0.1573%	0.0215%	0.2820%	0.0003%
Proportionate share of the net pension liability (asset)	\$ 4,030,207	\$ (15,154)	\$ 2,069	\$ 27,178	\$ 28
Covered payroll	\$ 3,045,153	\$ 390	\$ 4,039	\$ 5,742	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	132.35%	-3885.64%	51.22%	473.32%	N/A
Plan fiduciary net position as a percentage of total pension liability	85.20%	75.26%	75.26%	75.26%	75.26%

	For the year ended June 30, 2018				
	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.0674%	-0.1388%	0.0216%	0.2751%	0.0003%
Proportionate share of the net pension liability (asset)	\$ 4,697,131	\$ (13,766)	\$ 2,142	\$ 27,280	\$ 28
Covered payroll	\$ 2,880,112	\$ 344	\$ 4,202	\$ 5,042	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	163.09%	-4001.74%	50.97%	541.05%	N/A
Plan fiduciary net position as a percentage of total pension liability	81.78%	73.31%	73.31%	73.31%	73.31%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of the City's Proportionate Share of the Net Pension Liability (Continued) June 30, 2021 (Dollars in Thousands)

For the year ended June 30, 2017					
City SFERS Plan	City	CalPERS Miscellaneous Plans		Treasure Island	
		Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA		
Proportion of net pension liability	94.2175%	-0.1469%	0.0204%	0.2691%	0.0003%
Proportionate share of the net pension liability (asset)	\$ 5,476,654	\$ (12,711)	\$ 1,765	\$ 23,281	\$ 27
Covered payroll	\$ 2,681,695	\$ 329	\$ 3,644	\$ 3,769	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	204.22%	-3863.53%	48.44%	617.70%	N/A
Plan fiduciary net position as a percentage of total pension liability	77.61%	74.06%	74.06%	74.06%	74.06%
For the year ended June 30, 2016					
City SFERS Plan	City	CalPERS Miscellaneous Plans		Treasure Island	
		Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA		
Proportion of net pension liability	93.9032%	-0.2033%	0.0188%	0.2413%	0.0004%
Proportionate share of the net pension liability (asset)	\$ 2,156,049	\$ (13,956)	\$ 1,288	\$ 16,563	\$ 24
Covered payroll	\$ 2,529,879	\$ 319	\$ 3,684	\$ 3,427	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	85.22%	-4374.92%	34.96%	483.31%	0.00%
Plan fiduciary net position as a percentage of total pension liability	89.90%	78.40%	78.40%	78.40%	78.40%
For the year ended June 30, 2015					
City SFERS Plan	City	CalPERS Miscellaneous Plans		Treasure Island	
		Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA		
Proportion of net pension liability	93.7829%	-0.1829%	0.0208%	0.2550%	N/A
Proportionate share of the net pension liability (asset)	\$ 1,660,365	\$ (11,381)	\$ 1,299	\$ 15,870	\$ -
Covered payroll	\$ 2,398,979	\$ 303	\$ 3,264	\$ 3,962	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	69.21%	-3756.11%	39.80%	400.56%	-
Plan fiduciary net position as a percentage of total pension liability	91.84%	80.43%	80.43%	80.43%	-

Notes to Schedule:

SFERS Plan

Benefit Changes – There were no changes in benefits during the measurement period ended June 30, 2020, 2019 and 2018. The impact of benefit changes for the year ended June 30, 2017, which was \$1.22 billion, was recognized immediately as pension expense

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability (Continued)**

June 30, 2021*
(Dollars in Thousands)

Changes of Assumptions – There were no changes in the discount rate for the measurement period ended June 30, 2020. For the measurement period ended June 30, 2019, the discount rate was decreased from 7.50% to 7.40%. There were no changes in the discount rate for the measurement period ended June 30, 2018. For the measurement ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%.

CalPERS Miscellaneous Plans

Benefit Changes – There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specific time period (a.k.a. Golden Handshakes).

Changes of Assumptions – No changes for the year ended June 30, 2020.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only seven years of information is shown

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Changes in Net Pension Liability and Related Ratios
June 30, 2021*
(Dollars in Thousands)

City CalPERS Safety Plan	2021	2020	2019	2018	2017	2016	2015
Total pension liability:							
Service cost.....	\$ 29,508	\$ 30,109	\$ 34,006	\$ 33,886	\$ 31,141	\$ 30,987	\$ 32,688
Interest on the total pension liability.....	102,990	98,555	94,305	88,729	85,094	80,057	76,177
Changes of assumptions.....	-	-	2,492	75,057	-	(19,949)	-
Differences between expected and actual experience	(1,465)	(7,134)	6,909	(14,353)	950	(14,218)	-
Benefit payments, including refunds of							
employee contributions.....	(66,815)	(62,934)	(56,625)	(51,579)	(47,774)	(44,699)	(41,387)
Net change in total pension liability.....	64,218	58,596	81,087	131,740	69,411	32,178	67,478
Total pension liability, beginning.....	1,460,539	1,401,943	1,320,856	1,189,116	1,119,705	1,087,527	1,020,049
Total pension liability, ending.....	<u>\$1,524,757</u>	<u>\$1,460,539</u>	<u>\$1,401,943</u>	<u>\$1,320,856</u>	<u>\$1,189,116</u>	<u>\$ 1,119,705</u>	<u>\$1,087,527</u>
Plan fiduciary net position:							
Plan to plan resource movement.....	\$ -	\$ -	\$ (3)	\$ -	\$ -	\$ (4)	\$ -
Contributions from the employer.....	49,455	43,789	31,189	30,575	23,640	20,718	20,613
Contributions from employees.....	8,947	9,141	9,359	10,307	14,310	15,061	15,216
Net investment income.....	57,048	71,212	85,351	104,383	4,731	20,469	138,628
Benefit payments, including refunds of							
employee contributions.....	(66,815)	(62,934)	(56,625)	(51,579)	(47,774)	(44,699)	(41,387)
Administrative expenses.....	(1,611)	(772)	(1,585)	(1,366)	(567)	(1,048)	-
Other miscellaneous income/(expense).....	-	2	(3,011)	-	-	-	-
Net change in plan fiduciary net position.....	47,024	60,438	64,675	92,320	(5,660)	10,497	133,070
Plan fiduciary net position, beginning.....	1,142,641	1,082,203	1,017,528	925,208	930,868	920,371	787,301
Plan fiduciary net position, ending.....	<u>\$1,189,665</u>	<u>\$1,142,641</u>	<u>\$1,082,203</u>	<u>\$1,017,528</u>	<u>\$ 925,208</u>	<u>\$ 930,868</u>	<u>\$ 920,371</u>
Plan net pension liability, ending.....	\$ 335,092	\$ 317,898	\$ 319,740	\$ 303,328	\$ 263,908	\$ 188,837	\$ 167,156
Plan fiduciary net position as a percentage of the							
total pension liability.....	78.02%	78.23%	77.19%	77.04%	77.81%	83.14%	84.63%
Covered payroll.....	\$ 92,968	\$ 94,522	\$ 106,765	\$ 107,812	\$ 110,139	\$ 109,462	\$ 111,311
Plan net pension liability as a percentage of the							
covered payroll.....	360.44%	336.32%	299.48%	281.35%	239.61%	172.51%	150.17%

Notes to Schedule:

Benefit Changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions – None in 2020 and 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate for the measurement period ended June 30, 2020. The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only seven years of information is shown

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Changes in Total Pension Liability and Related Ratios
June 30, 2021*
(Dollars in Thousands)

City Replacement Benefits Plan	2021	2020	2019	2018	2017
Plan total pension liability:					
Service cost.....	\$ 1,976	\$ 1,286	\$ 1,298	\$ 1,605	\$ 956
Interest.....	4,776	3,538	2,998	2,218	2,112
Changes of benefits.....	-	-	-	-	10,310
Differences between expected and actual experience.....	7,800	13,588	564	15,326	-
Changes of assumptions.....	37,013	29,565	5,540	(10,290)	11,516
Benefit payments.....	(3,634)	(2,958)	(2,442)	(3,164)	(1,332)
Net change in total pension liability.....	47,931	45,019	7,958	5,695	23,562
Total pension liability, beginning.....	137,272	92,253	84,295	78,600	55,038
Plan total pension liability, ending:	\$ 185,203	\$ 137,272	\$ 92,253	\$ 84,295	\$ 78,600
 Covered-employee payroll.....	 \$ 3,414,923	 \$ 3,225,854	 \$ 3,082,273	 \$ 2,919,519	 \$ 2,719,691
 Plan total pension liability as a percentage of the covered-employee payroll.....	 5.42%	 4.26%	 2.99%	 2.89%	 2.89%

Notes to Schedule:

No assets are accumulated in a trust that meet the criteria in GASB Statement No. 73 to pay related benefits.

Benefit Changes – There were no changes to benefits terms for the measurement period ended June 30, 2020.

Changes of Assumptions – The discount rate decreased from 3.50% to 2.21% in the measurement period ended June 30, 2020. The discount rate was changed from 3.87% in the measurement period ended June 30, 2018 to 3.50% in the measurement period ended June 30, 2019.

* Fiscal year 2016-17 was the first year of implementation of GASB Statement No. 73, therefore only five years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions – Pension Plans June 30, 2021 (Dollars in Thousands)

	For the year ended June 30, 2021					
	City SFERS Plan	City	CalPERS Miscellaneous Plans Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	\$ 791,736	\$ -	\$ 606	\$ 2,299	\$ 8	\$ 51,185
Contributions in relation to the actuarially determined contributions	(791,736)	-	(606)	(2,299)	(8)	(51,185)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,434,713	\$ -	\$ 4,826	\$ 7,430	\$ -	\$ 93,702
Contributions as a percentage of covered payroll	23.05%	N/A	12.56%	30.94%	N/A	54.63%
	For the year ended June 30, 2020					
	City SFERS Plan	City	CalPERS Miscellaneous Plans Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	\$ 701,307	\$ 10	\$ 539	\$ 2,012	\$ 7	\$ 40,778
Contributions in relation to the actuarially determined contributions	(701,307)	(10)	(539)	(2,012)	(7)	(40,778)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,378,945	\$ 179	\$ 4,423	\$ 6,745	\$ -	\$ 92,968
Contributions as a percentage of covered payroll	20.76%	5.59%	12.19%	29.83%	N/A	43.86%
	For the year ended June 30, 2019					
	City SFERS Plan	City	CalPERS Miscellaneous Plans Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	\$ 607,408	\$ 28	\$ 479	\$ 1,637	\$ 7	\$ 34,933
Contributions in relation to the actuarially determined contributions	(607,408)	(28)	(479)	(1,637)	(7)	(34,933)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,186,405	\$ 359	\$ 4,396	\$ 6,384	\$ -	\$ 94,522
Contributions as a percentage of covered payroll	19.06%	7.80%	10.89%	25.65%	N/A	36.96%
	For the year ended June 30, 2018					
	City SFERS Plan	City	CalPERS Miscellaneous Plans Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	\$ 582,568	\$ 42	\$ 403	\$ 1,283	\$ 6	\$ 30,743
Contributions in relation to the actuarially determined contributions	(582,568)	(42)	(403)	(1,283)	(6)	(30,743)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,045,153	\$ 390	\$ 4,039	\$ 5,742	\$ -	\$ 106,765
Contributions as a percentage of covered payroll	19.13%	10.77%	9.99%	22.34%	N/A	28.80%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions – Pension Plans (Continued)

June 30, 2021*
(Dollars in Thousands)

	For the year ended June 30, 2017					
	City SFERS Plan	City	CalPERS Miscellaneous Plans Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	\$ 519,073	\$ 35	\$ 293	\$ 970	\$ 2	\$ 27,190
Contributions in relation to the actuarially determined contributions	(519,073)	(35)	(293)	(970)	(2)	(27,190)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,880,112	\$ 344	\$ 4,202	\$ 5,042	\$ -	\$ 107,812
Contributions as a percentage of covered payroll	18.02%	10.17%	6.97%	19.24%	N/A	25.22%

	For the year ended June 30, 2016					
	City SFERS Plan	City	CalPERS Miscellaneous Plans Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	\$ 496,343	\$ 33	\$ 280	\$ 828	\$ 2	\$ 23,640
Contributions in relation to the actuarially determined contributions	(496,343)	(33)	(280)	(828)	(2)	(23,640)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,681,695	\$ 329	\$ 3,644	\$ 3,769	\$ -	\$ 110,139
Contributions as a percentage of covered payroll	18.51%	10.03%	7.68%	21.97%	0.00%	21.46%

	For the year ended June 30, 2015					
	City SFERS Plan	City	CalPERS Miscellaneous Plans Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions ^{(1) **}	\$ 556,511	\$ 31	\$ 400	\$ 598	\$ 2	\$ 20,718
Contributions in relation to the actuarially determined contributions ⁽¹⁾	(556,511)	(31)	(400)	(598)	(2)	(20,718)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,529,879	\$ 319	\$ 3,684	\$ 3,427	\$ -	\$ 109,462
Contributions as a percentage of covered payroll	22.00%	9.72%	10.86%	17.45%	0.00%	18.93%

⁽¹⁾ Contractually required contributions is an actuarially determined contribution for all cost-sharing plans.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only seven years of information is shown.

** In fiscal year 2014-15, the actuarially determined contributions were based on an estimate. The City made a \$0.1 million adjustment to align the estimated employer contribution amount with the actual employer contribution per the 2015 agent-multiple employer CalPERS report for the CalPERS Safety Plan. Due to the early implementation of GASB Statement No. 82, the City decreased the actuarially determined contributions for the City SFERS plan to deduct the employer pickup in the amount of \$8.6 million.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2021
(Dollars in Thousands)

Methods and assumptions used to determine FY 2020-21 contribution rates to SFERS Plan

Valuation date.....	July 1, 2019
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.40% (net of investment expenses)
Inflation.....	2.75%
Projected salary increase.....	Wage inflation component: 3.50%

Methods and assumptions used to determine FY 2019-20 contribution rates to SFERS Plan

Valuation date.....	July 1, 2018
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.40% (net of investment expenses)
Inflation.....	3.00% compounded annually
Projected salary increase.....	Wage inflation component: 3.50%

Methods and assumptions used to determine FY 2018-19 contribution rates to SFERS Plan

Valuation date.....	July 1, 2017
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.00% compounded annually
Projected salary increase.....	Wage inflation component: 3.50%

Methods and assumptions used to determine FY 2017-18 contribution rates to SFERS Plan

Valuation date.....	July 1, 2016
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)**
June 30, 2021
(Dollars in Thousands)

Methods and assumptions used to determine FY 2016-17 contribution rates to SFERS Plan

Valuation date.....	July 1, 2015
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2015-16 contribution rates to SFERS Plan

Valuation date.....	July 1, 2014
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2014-15 contribution rates to SFERS Plan

Valuation date.....	July 1, 2013
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Rolling 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.58% (net of investment expenses)
Inflation.....	3.33% compounded annually
Projected salary increase.....	Wage inflation component: 3.83%

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2021
(Dollars in Thousands)

Methods and assumptions used to determine FY 2020-21 contribution rates to CalPERS plans

Valuation date.....	June 30, 2018
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.00%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.500%
Payroll growth.....	2.750%

Methods and assumptions used to determine FY 2019-20 contribution rates to CalPERS plans

Valuation date.....	June 30, 2017
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.25%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.625%
Payroll growth.....	2.875%

Methods and assumptions used to determine FY 2018-19 contribution rates to CalPERS plans

Valuation date.....	June 30, 2016
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.375%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.75%
Payroll growth.....	3.00%

Methods and assumptions used to determine FY 2017-18 contribution rates to CalPERS plans

Valuation date.....	June 30, 2015
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.50%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.75%
Payroll growth.....	3.00%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions – Pension Plans (Continued)

June 30, 2021
(Dollars in Thousands)

Methods and assumptions used to determine FY 2016-17 contribution rates to CalPERS plans

Valuation date.....	June 30, 2014
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.50%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.75%
Payroll growth.....	3.00%

Methods and assumptions used to determine FY 2015-16 contribution rates to CalPERS plans

Valuation date.....	June 30, 2013
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Market Value
Investment rate of return.....	7.50%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	3.30% to 14.20% depending on age, service, and type of employment
Inflation.....	2.75%
Payroll growth.....	3.00%
Individual salary growth.....	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans

Valuation date.....	June 30, 2012
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	7 years as of the valuation date (Miscellaneous) 25 years as of the valuation date (Safety)
Asset valuation method.....	15-year smoothed market
Investment rate of return.....	7.50%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	3.30% to 14.20% depending on age, service, and type of employment
Inflation.....	2.75%
Payroll growth.....	3.00%
Individual salary growth.....	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios Other Postemployment Healthcare Benefits Plan

June 30, 2021
(Dollars in Thousands)

	2021		
	City Plan	Successor Agency	Transportation Authority
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 141,642	\$ 344	\$ 92
Interest (includes interest on service cost)	314,907	830	114
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(381,922)	-	(1)
Changes of assumptions	151,725	(248)	-
Benefit payments, including refunds of member contributions	(196,445)	(902)	(61)
Net change in total OPEB liability	29,907	24	144
Total OPEB liability - beginning	4,282,418	12,395	1,478
Total OPEB liability - ending	\$ 4,312,325	\$ 12,419	\$ 1,622
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 235,963	\$ 2,901	\$ 61
Contributions - member	60,236	-	-
Net investment income	22,746	285	67
Benefit payments, including refunds of member contributions	(196,445)	(902)	(61)
Administrative expense	(113)	(7)	(1)
Net change in plan fiduciary net position	122,387	2,277	66
Plan fiduciary net position - beginning	366,603	8,051	1,890
Plan fiduciary net position - ending	488,990	10,328	1,956
Net OPEB liability/(asset) - ending	\$ 3,823,335	\$ 2,091	\$ (334)
Plan fiduciary net position as a percentage of the total OPEB liability	11.3%	83.2%	120.6%
Covered payroll	\$ 3,951,792	\$ 6,745	\$ 4,355
Net OPEB liability/(asset) as a percentage of covered payroll	96.7%	31.0%	-7.7%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios Other Postemployment Healthcare Benefits Plan (Continued)

June 30, 2021
(Dollars in Thousands)

	2020		
	City Plan	Successor Agency	Transportation Authority
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 133,736	\$ 335	\$ 118
Interest (includes interest on service cost)	283,520	812	143
Changes of benefit terms	-	-	-
Differences between expected and actual experience	194,068	-	(596)
Changes of assumptions	-	-	(63)
Benefit payments, including refunds of member contributions	(185,839)	(906)	(60)
Net change in total OPEB liability/(asset)	425,485	241	(458)
Total OPEB liability - beginning	3,856,933	12,154	1,936
Total OPEB liability - ending	\$ 4,282,418	\$ 12,395	\$ 1,478
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 218,625	\$ 2,967	\$ 138
Contributions - member	51,024	-	-
Net investment income	26,959	407	106
Benefit payments, including refunds of member contributions	(185,839)	(906)	(60)
Administrative expense	(132)	(3)	(1)
Net change in plan fiduciary net position	110,637	2,465	183
Plan fiduciary net position - beginning	255,966	5,586	1,707
Plan fiduciary net position - ending	366,603	8,051	1,890
Net OPEB liability/(asset) - ending	\$ 3,915,815	\$ 4,344	\$ (412)
Plan fiduciary net position as a percentage of the total OPEB liability	8.6%	65.0%	127.9%
Covered payroll	\$ 3,763,446	\$ 6,384	\$ 4,039
Net OPEB liability/(asset) as a percentage of covered payroll	104.0%	68.1%	-10.2%

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan (Continued)**
June 30, 2021
(Dollars in Thousands)

	2019		
	City Plan	Successor Agency	Transportation Authority
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 127,850	\$ 164	\$ 122
Interest (includes interest on service cost)	290,029	701	129
Changes of benefit terms	-	-	(5)
Differences between expected and actual experience	(385,732)	267	-
Changes of assumptions	111,119	1,572	-
Benefit payments, including refunds of member contributions	(178,019)	(812)	(58)
Net change in total OPEB liability	(34,753)	1,892	188
Total OPEB liability - beginning	3,891,686	10,262	1,748
Total OPEB liability - ending	\$ 3,856,933	\$ 12,154	\$ 1,936
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 203,858	\$ 2,145	\$ 144
Contributions - member	41,682	-	-
Net investment income	14,105	339	119
Benefit payments, including refunds of member contributions	(178,019)	(812)	(58)
Administrative expense	(137)	(11)	(1)
Net change in plan fiduciary net position	81,489	1,661	204
Plan fiduciary net position - beginning	174,477	3,925	1,503
Plan fiduciary net position - ending	255,966	5,586	1,707
Net OPEB liability - ending	\$ 3,600,967	\$ 6,568	\$ 229
Plan fiduciary net position as a percentage of the total OPEB liability	6.6%	46.0%	88.2%
Covered payroll	\$ 3,583,448	\$ 5,742	\$ 4,045
Net OPEB liability as a percentage of covered payroll	100.5%	114.4%	5.7%

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan (Continued)**

June 30, 2021*
(Dollars in Thousands)

	2018		
	City Plan	Successor Agency	Transportation Authority
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 125,195	\$ 159	\$ 122
Interest (includes interest on service cost)	272,942	692	117
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Net change in total OPEB liability	232,667	54	175
Total OPEB liability - beginning	3,659,019	10,208	1,573
Total OPEB liability - ending	\$ 3,891,686	\$ 10,262	\$ 1,748
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 183,898	\$ 1,097	\$ 166
Contributions - member	31,686	-	-
Net investment income	17,368	353	134
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Administrative expense	(109)	(3)	(1)
Net change in plan fiduciary net position	67,373	650	235
Plan fiduciary net position - beginning	107,104	3,275	1,268
Plan fiduciary net position - ending	174,477	3,925	1,503
Net OPEB liability - ending	\$ 3,717,209	\$ 6,337	\$ 245
Plan fiduciary net position as a percentage of the total OPEB liability	4.5%	38.2%	86.0%
Covered payroll	\$ 3,393,658	\$ 5,042	\$ 3,946
Net OPEB liability as a percentage of covered payroll	109.5%	125.7%	6.2%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, therefore only four years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions Other Postemployment Healthcare Benefits Plans Year Ended June 30, 2021* (In Thousands)

For the year ended June 30, 2021			
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	\$ 245,992	\$ 813	\$ 55
Contributions in relation to the charter required contribution or ADC	(245,992)	(2,259)	(55)
Contribution deficiency/(excess)	\$ -	\$ (1,446)	\$ -
Covered payroll	\$ 4,022,105	\$ 7,092	\$ 4,420
Contributions as a percentage of covered payroll	6.12%	31.85%	1.24%

For the year ended June 30, 2020			
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	\$ 235,962	\$ 802	\$ 51
Contributions in relation to the charter required contribution or ADC	(235,962)	(2,901)	(61)
Contribution deficiency/(excess)	\$ -	\$ (2,099)	\$ (10)
Covered payroll	\$ 3,951,792	\$ 6,745	\$ 4,355
Contributions as a percentage of covered payroll	5.97%	43.01%	1.40%

For the year ended June 30, 2019			
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	\$ 218,625	\$ 812	\$ 138
Contributions in relation to the charter required contribution or ADC	(218,625)	(2,967)	(138)
Contribution deficiency/(excess)	\$ -	\$ (2,155)	\$ -
Covered payroll	\$ 3,763,446	\$ 6,384	\$ 4,039
Contributions as a percentage of covered payroll	5.81%	46.48%	3.42%

For the year ended June 30, 2018			
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	\$ 203,858	\$ 813	\$ 143
Contributions in relation to the charter required contribution or ADC	(203,858)	(2,145)	(143)
Contribution deficiency/(excess)	\$ -	\$ (1,332)	\$ -
Covered payroll	\$ 3,583,448	\$ 5,742	\$ 4,045
Contributions as a percentage of covered payroll	5.69%	37.36%	3.54%

For the year ended June 30, 2017			
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	\$ 183,898	\$ 804	\$ 165
Contributions in relation to the charter required contribution or ADC	(183,898)	(1,097)	(165)
Contribution deficiency/(excess)	\$ -	\$ (293)	\$ -
Covered payroll	\$ 3,393,658	\$ 5,042	\$ 3,946
Contributions as a percentage of covered payroll	5.42%	21.76%	4.18%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, and only five years of information is available for the Successor Agency plan and the Transportation Authority plan.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions
Other Postemployment Healthcare Benefits Plans (Continued)
Year Ended June 30, 2021
(In Thousands)

Notes to Schedule:

The City Plan, Transportation Authority and Successor Agency calculate the annual required contributions on an actuarially determined basis. The methods and assumptions used to determine the fiscal year 2020-2021 contribution rates for the plans are as follows:

Actuarial Assumptions	City Plan for the year ended June 30, 2021
Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 4.00% in 2022, 7.00% in 2023, trending down to ultimate rate of 4.04% in 2075 Medicare trend starts at 1.00% in 2022, 7.50% in 2023, trending down to ultimate rate of 4.04% in 2075 10-County average trend starts at 4.5% in 2022, 5.50% in 2023, trending down to ultimate rate of 4.04% in 2075 Vision and expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Discount Rate	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2019.

Non-Annuityants

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions
Other Postemployment Healthcare Benefits Plans (Continued)**
Year Ended June 30, 2021
(In Thousands)

Actuarial Assumptions	For the year ended June 30, 2021	
	Successor Agency	Transportation Authority
Actuarial Valuation Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry age normal cost method	Entry age normal cost method
Asset Valuation Method	Actuarial value of assets	Actuarial value of assets
General Inflation	2.75%, per annum	2.75% per annum
Salary Increases	3.00%, per annum	2.75% per annum, in aggregate
Mortality, Turnover, Disability, and Retirement	CalPERS 2017 Experience Study for the period 1997 to 2015.	CalPERS Experience Study for the period from 1997 to 2015
	Post-retirement mortality projected fully generational with Scale MP-2018	
Healthcare Cost Trend Rate	Non-medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076	Initial 6.5% for non-medicare eligibles, 11% for spouse/domestic partner of medicare eligibles
	Medicare - 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076	
Investment Rate of Return	6.75%	7.59%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule – General Fund Year Ended June 30, 2021 (In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1, as previously reported	\$ 526,905	\$ 2,781,505	\$ 2,781,505	\$ -
Cumulative effect of accounting change.....	-	35,397	35,397	-
Budgetary Fund Balance, July 1, as restated	<u>526,905</u>	<u>2,816,902</u>	<u>2,816,902</u>	<u>-</u>
Resources (Inflows):				
Property taxes.....	2,019,600	2,161,945	2,343,954	182,009
Business taxes.....	826,400	798,057	722,642	(75,415)
Other local taxes:				
Sales and use tax.....	183,670	183,670	146,863	(36,807)
Hotel room tax.....	126,230	126,230	33,177	(93,053)
Utility users tax.....	81,090	81,090	81,367	277
Parking tax.....	59,350	59,350	47,555	(11,795)
Real property transfer tax.....	138,000	138,000	344,683	206,683
Other local taxes.....	69,650	69,650	55,395	(14,255)
Licenses, permits and franchises:				
Licenses and permits.....	7,443	7,245	5,021	(2,224)
Franchise tax.....	15,732	15,732	15,027	(705)
Fines, forfeitures, and penalties.....	2,338	2,389	4,412	2,023
Interest and investment income.....	23,490	20,732	31,657	10,925
Rents and concessions:				
Garages - Recreation and Park.....	5,588	5,588	1,947	(3,641)
Rents and concessions - Recreation and Park.....	4,860	4,860	2,468	(2,392)
Other rents and concessions.....	500	718	587	(131)
Intergovernmental:				
Federal grants and subventions.....	616,703	756,723	679,537	(77,186)
State subventions:				
Social service subventions.....	134,817	134,774	121,818	(12,956)
Health / mental health subventions.....	190,280	242,812	274,515	31,703
Health and welfare realignment.....	263,786	263,786	292,562	28,776
Public safety sales tax.....	97,060	97,060	105,028	7,968
Other grants and subventions.....	75,178	85,905	102,639	16,734
Other.....	2,870	10,696	9,143	(1,553)
Charges for services:				
General government service charges.....	87,234	86,543	75,121	(11,422)
Public safety service charges.....	41,961	41,661	35,845	(5,816)
Recreation charges - Recreation and Park.....	13,951	13,943	7,865	(6,078)
MediCal, MediCare and health service charges.....	114,149	112,843	104,644	(8,199)
Other financing sources:				
Transfers from other funds.....	447,095	417,009	417,009	-
Other resources (inflows).....	<u>25,254</u>	<u>59,773</u>	<u>44,799</u>	<u>(14,974)</u>
Subtotal - Resources (Inflows)	<u>5,674,279</u>	<u>5,998,784</u>	<u>6,107,280</u>	<u>108,496</u>
Total amounts available for appropriation.....	<u>6,201,184</u>	<u>8,815,686</u>	<u>8,924,182</u>	<u>108,496</u>

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2021 (In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation.....	\$ 37,581	\$ 41,969	\$ 41,969	\$ -
District Attorney.....	64,594	66,128	65,931	197
Emergency Management.....	72,696	75,676	74,985	691
Fire Department.....	374,414	410,267	410,263	4
Juvenile Probation.....	31,919	30,226	28,537	1,689
Police Accountability.....	10,208	10,319	9,948	371
Police Department.....	563,528	572,530	572,197	333
Public Defender.....	41,924	42,347	41,433	914
Sheriff.....	212,586	222,840	222,069	771
Superior Court.....	33,463	33,478	31,376	2,102
Subtotal - Public Protection	<u>1,442,913</u>	<u>1,505,780</u>	<u>1,498,708</u>	<u>7,072</u>
Public Works, Transportation and Commerce				
Appeals Board.....	1,177	1,151	1,008	143
Economic and Workforce Development.....	84,258	70,051	57,850	12,201
Municipal Transportation Agency.....	-	4,798	4,798	-
Port.....	-	7,628	7,628	-
Public Utilities Commission.....	-	2,912	2,912	-
Public Works.....	<u>101,294</u>	<u>132,446</u>	<u>131,462</u>	<u>984</u>
Subtotal - Public Works, Transportation and Commerce	<u>186,729</u>	<u>218,986</u>	<u>205,658</u>	<u>13,328</u>
Human Welfare and Neighborhood Development				
Child Support Services.....	-	152	151	1
Children, Youth and Their Families.....	70,086	67,455	67,065	390
Environment.....	-	30	30	-
Homelessness and Supportive Housing.....	417,956	288,004	277,469	10,535
Human Rights Commission.....	11,105	6,830	6,237	593
Human Services.....	968,208	1,132,923	1,104,442	28,481
Mayor's Office.....	51,737	100,533	97,514	3,019
Status of Women.....	<u>9,870</u>	<u>9,646</u>	<u>9,507</u>	<u>139</u>
Subtotal - Human Welfare and Neighborhood Development	<u>1,528,962</u>	<u>1,605,573</u>	<u>1,562,415</u>	<u>43,158</u>
Community Health				
Public Health.....	<u>1,152,275</u>	<u>1,158,599</u>	<u>1,115,487</u>	<u>43,112</u>
Culture and Recreation				
Academy of Sciences.....	5,588	5,957	5,551	406
Arts Commission.....	9,192	9,426	9,426	-
Asian Art Museum.....	9,700	9,995	9,814	181
Fine Arts Museums.....	17,167	18,148	18,145	3
Law Library.....	1,937	1,946	1,817	129
Library.....	-	14	14	-
Recreation and Park Commission.....	<u>105,673</u>	<u>101,848</u>	<u>100,744</u>	<u>1,104</u>
Subtotal - Culture and Recreation	<u>149,257</u>	<u>147,334</u>	<u>145,511</u>	<u>1,823</u>

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2021 (In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder.....	\$ 33,666	\$ 31,716	\$ 31,392	\$ 324
Board of Supervisors.....	18,426	18,413	17,713	700
City Attorney.....	25,705	25,686	23,017	2,669
Civil Service.....	925	927	682	245
Controller.....	13,334	12,485	9,398	3,087
Elections.....	24,318	20,397	19,791	606
Ethics.....	4,725	7,508	6,815	693
General Services Agency - Administrative Services.....	68,940	78,469	77,071	1,398
Health Service System.....	634	881	300	581
Human Resources.....	19,491	22,832	22,548	284
Mayor's Office.....	6,964	6,886	6,474	412
Planning.....	48,529	52,190	44,960	7,230
Retirement System.....	1,558	1,094	1,094	-
Telecommunications and Information Services.....	6,939	12,188	12,008	180
Treasurer/Tax Collector.....	34,013	41,325	40,354	971
Subtotal - General Administration and Finance	<u>308,167</u>	<u>332,997</u>	<u>313,617</u>	<u>19,380</u>
General City Responsibilities				
General City Responsibilities.....	185,565	126,993	113,986	13,007
Other financing uses:				
Debt service.....	18,091	2,600	338	2,262
Transfers to other funds.....	1,046,155	1,164,927	1,164,927	-
Budgetary reserves and designations.....	<u>183,070</u>	<u>42,454</u>	<u>-</u>	<u>42,454</u>
Total charges to appropriations.....	<u>6,201,184</u>	<u>6,306,243</u>	<u>6,120,647</u>	<u>185,596</u>
Total Sources less Current Year Uses.....	<u>\$ -</u>	<u>\$ 2,509,443</u>	<u>\$ 2,803,535</u>	<u>\$ 294,092</u>
Budgetary fund balance, June 30 before reserves and designations			\$ 2,803,535	
Reserves and designations made from budgetary fund balance not available for appropriation			(1,649,631)	
Reserve for Litigation and Contingencies and General Reserve			(251,924)	
Net Available Budgetary Fund Balance, June 30			<u>\$ 901,980</u>	
Sources/inflows of resources				
Actual amounts (budgetary basis) "available for appropriation".....			\$ 8,924,182	
Difference - budget to GAAP:				
The fund balance at the beginning of the year is a budgetary resource but is not				
a current year revenue for financial reporting purposes.....			(2,816,902)	
Property tax revenue - Teeter Plan net change from prior year.....			(11,090)	
Change in unrealized gain/(loss) on investments.....			(32,648)	
Interest earnings / charges from other funds assigned to General Fund as interest adjustment...			(613)	
Interest earnings from other funds assigned to General Fund as other revenues.....			2,248	
Grants, subventions and other receivables received after 60-day recognition period.....			20,820	
Prepaid lease revenue, Civic Center Garage.....			167	
Transfers from other funds are inflows of budgetary resources, but are not				
revenues for financial reporting purposes.....			(417,009)	
Total revenues as reported on the statement of revenues, expenditures and changes				
in fund balance - General Fund.....			<u>\$ 5,669,155</u>	
Uses/outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations".....			\$ 6,120,647	
Difference - budget to GAAP:				
Recognition of expenditures for advances and imprest cash and capital asset acquisition				
for internal service fund.....			(362)	
Purchase of inventories.....			15,287	
Intergovernmental expense offset.....			(73,632)	
Transfers to other funds are outflows of budgetary resources but are not				
expenditures for financial reporting purposes.....			(1,164,927)	
Total expenditures as reported on the statement of revenues, expenditures and changes				
in fund balance - General Fund.....			<u>\$ 4,897,013</u>	

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2021
(In Thousands)

Notes to Budgetary Schedule:

(a) Budgetary Data

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

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

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

Original Budget

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

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2021
(In Thousands)

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 as required supplementary information for the General Fund. Final budgetary data excludes the amount reserved for encumbrances for appropriate comparison to actual expenditures.

(b) Budgetary Results Reconciled to Results in Accordance with Generally Accepted Accounting Principles

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget-to-actual comparison schedule in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

The major differences between the Budget basis “actual” and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (Note 6), revenues not meeting the 60-day availability period and other assets not available for budgetary appropriation.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2021 (In Thousands)

The fund balance of the General Fund as of June 30, 2021, on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis.....	\$	2,803,535
Unrealized Gains/ (Losses) on Investments.....		3,978
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis.....		(31,745)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis.....		(120,569)
Inventories.....		17,925
Pre-paid lease revenue.....		(5,734)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation).....		2,714
Fund Balance - GAAP basis.....	\$	<u>2,670,104</u>

General Fund budget basis fund balance as of June 30, 2021 is composed of the following:

Not available for appropriations:

Restricted Fund Balance:

Rainy Day - Economic Stabilization Reserve..... \$ 114,539

Committed Fund Balance:

Budget Stabilization Reserve..... 320,637

Assigned for Encumbrances..... 407,137

Assigned for Appropriation Carryforward..... 753,776

Assigned for Self-Insurance..... 42,454

Assigned for Hotel Tax Loss Contingency..... 6,000

Assigned for Subsequent Years' Budgets:

Salaries and benefits costs (MOU)..... 5,088

Subtotal..... \$ 1,649,631

Available for appropriations:

Assigned for Litigation and Contingences..... 173,591

Assigned balance subsequently appropriated as part of
the General Fund budget for use in fiscal year 2021-22..... 173,989

Unassigned - General Reserve..... 78,333

Unassigned - COVID-19 Response and
Economic Contingency Reserve..... 113,500

Unassigned - Federal & State Emergency Revenue Reserve... 100,000

Unassigned - Fiscal Cliff Reserve..... 293,900

Unassigned - Business Tax Stabilization Reserve..... 149,000

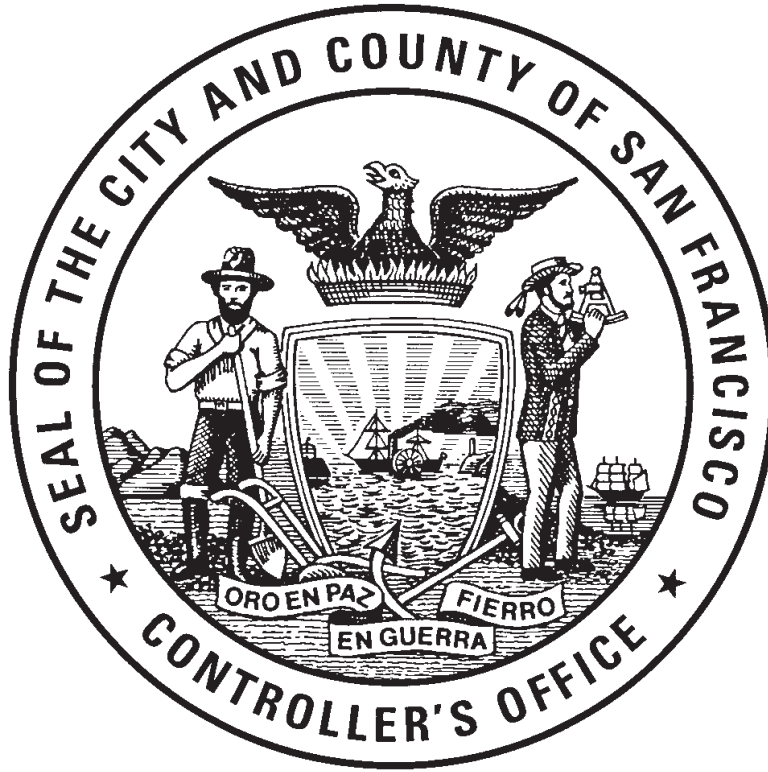
Unassigned - Gross Receipts Prepayment Reserve..... 26,000

Unassigned - Other Reserves..... 13,807

Unassigned - Available for future appropriations..... 31,784

Subtotal..... 1,153,904

Fund Balance, June 30, 2021 - Budget basis..... \$ 2,803,535



SINGLE AUDIT SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed through State of California Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	02502-SN-38-R	\$ 10,115	\$ -
National School Lunch Program	10.555	02502-SN-38-R	17,458	-
Summer Food Service Program for Children	10.559	04029-SFSP-38	536,662	-
Subtotal Child Nutrition Cluster			<u>564,235</u>	<u>-</u>
Child and Adult Care Food Program	10.558	04029-CACFP-38	554,053	-
Passed through State of California Department of Public Health				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	19-10182	2,728,876	-
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	19-10345	507,429	-
Passed through State of California Department of Aging				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SP-1920-06	65,197	65,196
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SP-2021-06	74,962	74,962
Passed through State of California Department of Social Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	none	42,440,022	1,387,021
COVID-19 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	none	1,098,107	-
Subtotal SNAP Cluster			<u>44,185,717</u>	<u>1,527,179</u>
U.S. DEPARTMENT OF AGRICULTURE Total			48,032,881	1,527,179
U.S. DEPARTMENT OF COMMERCE				
Direct Program				
Economic Development Cluster				
Economic Adjustment Assistance	11.307	--	689,065	-
Subtotal Economic Development Cluster			<u>689,065</u>	<u>-</u>
U.S. DEPARTMENT OF COMMERCE Total			689,065	-
U.S. DEPARTMENT OF DEFENSE				
Direct Program				
Navy Cooperative Agreement for Hunters Point	12.unknown	--	395,000	-
U.S. DEPARTMENT OF DEFENSE Total			395,000	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Program				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	--	20,744,823	16,467,096
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	--	3,623,499	3,623,499
Subtotal CDBG - Entitlement Grants Cluster			<u>24,368,322</u>	<u>20,090,595</u>
Emergency Solutions Grant Program	14.231	--	1,534,769	1,302,165
COVID-19 Emergency Solutions Grant Program	14.231	--	17,960,116	10,094,436
Subtotal Emergency Solutions Grant Program			<u>19,494,885</u>	<u>11,396,601</u>
Home Investment Partnerships Program	14.239	--	4,087,498	14,093
Housing Opportunities for Persons with AIDS	14.241	--	8,497,182	7,689,492
COVID-19 Housing Opportunities for Persons with AIDS	14.241	--	645,562	645,562
Subtotal Housing Opportunities for Persons with AIDS			<u>9,142,744</u>	<u>8,335,054</u>
Continuum of Care Program	14.267	--	38,285,609	35,191,855
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Total			95,379,058	75,028,198
U.S. DEPARTMENT OF INTERIOR				
Direct Program				
NPS Cooperative Agreement	15.unknown	--	892,729	-
Passed through State of California Department of Parks & Recreation				
Outdoor Recreation Acquisition, Development and Planning	15.916	06-01813	48,893	-
U.S. DEPARTMENT OF INTERIOR Total			941,622	-

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF JUSTICE				
Direct Program				
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	--	\$ 748,890	\$ -
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	--	196,863	-
Bulletproof Vest Partnership Program	16.607	--	869	-
Special Data Collections and Statistical Studies	16.734	--	142,114	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	--	793,435	-
DNA Backlog Reduction Program	16.741	--	163,356	-
Equitable Sharing Program	16.922	--	333,312	-
Passed through State of California Governor's Office of Emergency Services				
Crime Victim Assistance	16.575	VW19 38 0380	441,701	-
Crime Victim Assistance	16.575	HA19 02 0380	87,100	-
Crime Victim Assistance	16.575	UV 19 02 0380	78,080	-
Crime Victim Assistance	16.575	KI 19 02 0380	83,203	-
Crime Victim Assistance	16.575	XC19 02 0380	253,998	-
Crime Victim Assistance	16.575	XE19 02 0380	103,277	-
Crime Victim Assistance	16.575	HA 20 03 0380	78,062	-
Crime Victim Assistance	16.575	VW20 39 0380	1,095,605	-
Crime Victim Assistance	16.575	KI 20 03 0380	98,871	-
Crime Victim Assistance	16.575	XC20 03 0380	251,620	-
Crime Victim Assistance	16.575	UV 20 03 0380	97,683	-
Crime Victim Assistance	16.575	XE20 03 0380	108,456	-
Subtotal Crime Victim Assistance			2,777,656	-
Violence Against Women Formula Grants	16.588	PU19020380	29,526	-
Violence Against Women Formula Grants	16.588	VV 19 02 0380	85,101	-
Violence Against Women Formula Grants	16.588	PU20030380	92,135	-
Violence Against Women Formula Grants	16.588	VV 20 03 0380	102,920	-
Subtotal Violence Against Women Formula Grants			309,682	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ19150380	53,960	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ19 02 0380	30,190	-
Subtotal Paul Coverdell Forensic Sciences Improvement Grant Program			84,150	-
Passed through National Association of VOCA Assistance				
Crime Victim Assistance/Discretionary Grants	16.582	CAP21-688	5,000	-
Passed through State of California Board Of State And Community Corrections				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 0125-18-MH	19,125	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0446	20,450	-
U.S. DEPARTMENT OF JUSTICE Total			5,594,902	-
U.S. DEPARTMENT OF LABOR				
Direct Program				
H-1B Job Training Grants	17.268	--	204,459	80,854
Passed through Nova				
Workforce Innovation and Opportunity Act (WIOA) Cluster				
WIOA Adult Program	17.258	001-1145-19	63,072	-
WIOA Adult Program	17.258	001-1168-20	44,482	-
Passed through State of California Department of Employment Development				
WIOA Adult Program	17.258	AA011035	50,605	-
WIOA Adult Program	17.258	AA111035	753,085	678,271
Subtotal WIOA Adult Program			911,244	678,271
WIOA Youth Activities	17.259	K9110055	6,603	-
WIOA Youth Activities	17.259	AA011035	711,705	409,422
Subtotal WIOA Youth Activities			718,308	409,422
WIOA Dislocated Worker Formula Grants	17.278	AA011035	1,908,048	1,452,606
WIOA Dislocated Worker Formula Grants	17.278	AA111035	1,639,031	660,933
Subtotal WIOA Dislocated Worker Formula Grants			3,547,079	2,113,539
Subtotal WIOA Cluster			5,176,631	3,201,232
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	AA011035	454,368	408,931
U.S. DEPARTMENT OF LABOR Total			5,835,458	3,691,017

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through State of California Coastal Conservancy Highway Research and Development Program	20.200	STPL-6169(013)	\$ 998,875	\$ -
Passed through Metropolitan Transportation Commission Highway Planning and Construction Cluster Highway Planning and Construction	20.205	STPLNI 6084 (232)	196,209	-
Passed through State of California Department of Transportation (CALTRANS)				
Highway Planning and Construction	20.205	BHLO-5934(168)	273,023	-
Highway Planning and Construction	20.205	BRLS-5934(177)	2,925,749	-
Highway Planning and Construction	20.205	ER-32L0(204)	57,266	-
Highway Planning and Construction	20.205	HP21L-5934(178)	44,129	-
Highway Planning and Construction	20.205	STPL5934(171)	1,969,107	-
Highway Planning and Construction	20.205	STPL5934(174)	8,000	-
Subtotal Highway Planning and Construction Cluster			5,473,483	-
Passed through State of California Office of Traffic Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	PT20156	43,237	-
State and Community Highway Safety	20.600	PT21054	56,176	-
State and Community Highway Safety	20.600	PS21014	46,630	-
Subtotal Highway Safety Cluster			146,043	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT20156	27,501	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT21054	15,793	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			43,294	-
U.S. DEPARTMENT OF TRANSPORTATION Total			6,661,695	-
U.S. DEPARTMENT OF THE TREASURY				
Direct Program				
Equitable Sharing	21.016	--	68,427	-
COVID-19 Coronavirus Relief Fund	21.019	--	63,049,489	-
COVID-19 Emergency Rental Assistance Program	21.023	--	7,980,000	7,980,000
COVID-19 Coronavirus State And Local Fiscal Recovery Funds	21.027	--	312,408,671	-
Passed through State of California Governor's Office of Emergency Services				
COVID-19 Coronavirus Relief Fund	21.019	none	20,660,712	-
U.S. DEPARTMENT OF THE TREASURY Total			404,167,299	7,980,000
U.S. NATIONAL ENDOWMENT FOR THE ARTS				
Direct Program				
Promotion of the Arts Grants to Organizations and Individuals	45.024	--	45,000	-
Passed through State of California Arts Council				
COVID-19 Promotion of the Arts Partnership Agreements	45.025	SLP-CRS-20-9742	13,187	-
U.S. NATIONAL ENDOWMENT FOR THE ARTS Total			58,187	-
U.S. SMALL BUSINESS ADMINISTRATION				
Passed through Humboldt State University Sponsored Pgm				
Small Business Development Centers	59.037	F0430	78,831	-
Small Business Development Centers	59.037	F0529	159,582	-
Small Business Development Centers	59.037	F3162	105,045	-
Subtotal Small Business Development Centers			343,458	-
U.S. SMALL BUSINESS ADMINISTRATION Total			343,458	-
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct Program				
The San Francisco Bay Water Quality Improvement Fund	66.126	--	30,917	-
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	--	12,826	-
U.S. ENVIRONMENTAL PROTECTION AGENCY Total			43,743	-
U.S. DEPARTMENT OF ENERGY				
Direct Program				
Conservation Research and Development	81.086	--	107,765	-
U.S. DEPARTMENT OF ENERGY Total			107,765	-
U.S. DEPARTMENT OF EDUCATION				
Passed through State of California Department of Rehabilitation				
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	30952	84,307	-
U.S. DEPARTMENT OF EDUCATION Total			84,307	-
U.S. ELECTION ASSISTANCE COMMISSION				
Passed through State of California Secretary of State				
2018 HAVA Election Security Grants	90.404	20G26138	1,896,145	-
U.S. ELECTION ASSISTANCE COMMISSION Total			1,896,145	-

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Program				
Environmental Public Health and Emergency Response	93.070	--	\$ 252,486	\$ -
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	--	691,499	-
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	--	245,145	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	--	373,758	373,758
Drug Abuse and Addiction Research Programs	93.279	--	99,049	-
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	--	63,021,421	-
Ending the HIV Epidemic: A Plan for America — Ryan White HIV/AIDS Program Parts A and B	93.686	--	1,082,279	863,708
Capacity Building Assistance (CBA) for High-Impact HIV Prevention	93.834	--	811,144	-
HIV Emergency Relief Project Grants	93.914	--	15,668,852	13,248,257
COVID-19 HIV Emergency Relief Project Grants	93.914	--	439,253	439,253
Subtotal HIV Emergency Relief Project Grants			<u>16,108,105</u>	<u>13,687,510</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	--	319,059	119,112
COVID-19 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	--	65,078	27,891
HIV Prevention Activities Health Department Based	93.940	--	4,996,910	528,604
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	--	789,422	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	--	1,202,716	24,576
Passed through State of California Department of Aging				
Aging Cluster				
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	AP-2021-06	12,964	12,964
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	AP-2021-06	39,037	39,037
COVID-19 Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	CARES-06	23,145	23,145
Subtotal Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals			<u>62,182</u>	<u>62,182</u>
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	AP-2021-06	74,148	74,148
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	AP-2021-06	1,084,580	649,064
COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	CARES-06	500,325	500,325
Subtotal Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers			<u>1,584,905</u>	<u>1,149,389</u>
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	AP-2021-06	1,738,356	1,738,356
COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	CARES-06	1,200,728	1,200,728
Subtotal Special Programs for the Aging, Title III, Part C, Nutrition Services			<u>2,939,084</u>	<u>2,939,084</u>
National Family Caregiver Support, Title III, Part E	93.052	AP-2021-06	502,925	502,925
COVID-19 National Family Caregiver Support, Title III, Part E	93.052	CARES-06	100,203	100,203
Subtotal National Family Caregiver Support, Title III, Part E			<u>603,128</u>	<u>603,128</u>
Nutrition Services Incentive Program	93.053	AP-2021-06	2,076,669	2,076,669
Subtotal Aging Cluster			<u>7,353,080</u>	<u>6,917,564</u>
COVID-19 Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	AD-CARES-1920-05	151,914	151,914
Medicare Enrollment Assistance Program	93.071	MI-1819-06	13,826	13,826
Medicare Enrollment Assistance Program	93.071	MI 2021-06	46,716	46,716
Subtotal Medicare Enrollment Assistance Program			<u>60,542</u>	<u>60,542</u>
State Health Insurance Assistance Program	93.324	HI 1718-06	1	1
State Health Insurance Assistance Program	93.324	HI 2021-06	98,001	91,984
Subtotal State Health Insurance Assistance Program			<u>98,002</u>	<u>91,985</u>

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Passed through Regents of the University of California				
Global AIDS	93.067	8940sc a04	\$ 1,341	\$ -
Global AIDS	93.067	11580SC	7,328	-
Global AIDS	93.067	11626sc	8,669	-
Global AIDS	93.067	11580sc02	18,676	-
Global AIDS	93.067	12518sc	11,725	-
Global AIDS	93.067	11644sc02	5,064	-
Global AIDS	93.067	11644sc03	5,064	-
Subtotal Global AIDS			<u>57,867</u>	<u>-</u>
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	10259sc	96,267	-
Nursing Research	93.361	10409sc03	12,216	-
Allergy and Infectious Diseases Research	93.855	10612sc	4,657	-
Allergy and Infectious Diseases Research	93.855	10612sc03	24,270	-
Allergy and Infectious Diseases Research	93.855	11324sc	3,724	-
Allergy and Infectious Diseases Research	93.855	11324sc 02	44,574	-
Allergy and Infectious Diseases Research	93.855	11638sc	5,556	-
Passed through State of California Department of Public Health				
Public Health Emergency Preparedness	93.069	17-10188	523,535	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	19-10807	301,942	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	19-10808	310,373	-
Subtotal Injury Prevention and Control Research and State and Community Based Programs			<u>612,315</u>	<u>-</u>
Immunization Cooperative Agreements	93.268	17-10345	584,194	-
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	COVID-19ELC38	833,534	-
COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP922071	490,069	-
Medical Assistance Program	93.778	20-10543	255,262	-
Medical Assistance Program	93.778	202038	4,423,284	-
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	CHVP19-38	186,399	-
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	CHVP 20-38	605,640	-
Subtotal Maternal, Infant and Early Childhood Home Visiting Grant			<u>792,039</u>	<u>-</u>
National Bioterrorism Hospital Preparedness Program	93.889	17-10188	196,909	-
COVID-19 National Bioterrorism Hospital Preparedness Program	93.889	COVID-19-3802	155,647	-
Subtotal National Bioterrorism Hospital Preparedness Program			<u>352,556</u>	<u>-</u>
HIV Care Formula Grants	93.917	18-10886	3,247,458	2,700,043
Maternal and Child Health Services Block Grant to the States	93.994	202038	332,846	-
Passed through State of California Department of Social Services				
Guardianship Assistance	93.090	none	2,676,634	-
COVID-19 Guardianship Assistance	93.090	none	284,990	-
Subtotal Guardianship Assistance			<u>2,961,624</u>	<u>-</u>
MaryLee Allen Promoting Safe and Stable Families Program	93.556	none	460,967	277,146
Temporary Assistance for Needy Families	93.558	none	61,464,824	9,473,685
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	none	386,498	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RESS1808	9,870	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	ORSA1906	632	626
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RESS1906	96,415	48,445
Subtotal Refugee and Entrant Assistance State/Replacement Designee Administered Programs			<u>493,415</u>	<u>49,071</u>
Community-Based Child Abuse Prevention Grants	93.590	none	37,425	-
Adoption and Legal Guardianship Incentive Payments	93.603	none	81,298	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	none	1,600,833	38,205
Foster Care Title IV-E	93.658	none	27,534,123	5,848,891
COVID-19 Foster Care Title IV-E	93.658	none	794,075	546,445
Subtotal Foster Care Title IV-E			<u>28,328,198</u>	<u>6,395,336</u>
Adoption Assistance	93.659	none	10,339,892	82,751
COVID-19 Adoption Assistance	93.659	none	1,030,454	-
Subtotal Adoption Assistance			<u>11,370,346</u>	<u>82,751</u>
Social Services Block Grant	93.667	none	1,216,848	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	none	386,274	346,180
COVID-19 John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	none	19,693	-
Subtotal John H. Chafee Foster Care Program for Successful Transition to Adulthood			<u>405,967</u>	<u>346,180</u>
Medical Assistance Program	93.778	none	84,245,610	3,592,369

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Passed through State of California Department of Health Care Services				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	68-0317191	\$ 600,184	\$ 600,184
Medical Assistance Program	93.778	20-03	286,511	-
Medical Assistance Program	93.778	20-04	888,257	-
Block Grants for Community Mental Health Services	93.958	none	3,272,654	1,394,060
Passed through SF Community Clinic Consortium				
Health Center Program Cluster				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H8OCS00049	317,358	-
Grants for New and Expanded Services under the Health Center Program	93.527	H8OCS00049	816,063	-
Subtotal Health Center Program Cluster			<u>1,133,421</u>	<u>-</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00163	178,282	-
Passed through Public Health Foundation Enterprise				
Mental Health Research Grants	93.242	0349.0104	2,294	-
Mental Health Research Grants	93.242	0618.0101	22,385	-
Mental Health Research Grants	93.242	0597.0103	30,431	-
Mental Health Research Grants	93.242	0597.0102	95,985	-
Mental Health Research Grants	93.242	0761.0101	10,785	-
Mental Health Research Grants	93.242	0618.0102	25,400	-
Subtotal Mental Health Research Grants			<u>187,280</u>	<u>-</u>
Drug Abuse and Addiction Research Programs	93.279	0391.0105	41,660	-
Drug Abuse and Addiction Research Programs	93.279	0526.0103	49,871	-
Drug Abuse and Addiction Research Programs	93.279	0526.0104	3,600	-
Drug Abuse and Addiction Research Programs	93.279	0752.0101	86,571	-
Drug Abuse and Addiction Research Programs	93.279	0760.0101	48,925	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	0187.2207	17,209	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	0187.2208	103,409	-
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	0187-4280	217,668	-
Subtotal Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			<u>338,286</u>	<u>-</u>
Allergy and Infectious Diseases Research	93.855	0014.0108	14,577	-
Allergy and Infectious Diseases Research	93.855	0014.0109	51,602	-
Allergy and Infectious Diseases Research	93.855	0433.0101	12,752	-
Allergy and Infectious Diseases Research	93.855	0689.0101	7,958	-
Child Health and Human Development Extramural Research	93.865	0419.0105	33,517	-
Passed through Oregon Health & Science University				
Drug Abuse and Addiction Research Programs	93.279	1017225_SFDPH	28,916	-
Drug Abuse and Addiction Research Programs	93.279	1017225_SFDPH a01	3,670	-
Passed through State of California Department of Child Support Services				
Child Support Enforcement	93.563	none	7,780,602	-
Passed through State of California Department of Education				
CCDF Cluster				
Child Care and Development Block Grant	93.575	19-14092-25630-01	30,754	30,754
Child Care and Development Block Grant	93.575	19-14092-25630-02	93,246	81,084
Child Care and Development Block Grant	93.575	19-14130-25630-02	61,508	61,508
Child Care and Development Block Grant	93.575	19-14130-25630-03	27,975	24,326
Child Care and Development Block Grant	93.575	20-14092-0-00	241,361	154,036
Child Care and Development Block Grant	93.575	20-14130-0-00	72,095	46,011
Child Care and Development Block Grant	93.575	C2AP-0045	1,701,641	1,701,641
Child Care and Development Block Grant	93.575	CAPP-0050	351,500	351,500
Child Care and Development Block Grant	93.575	CLPC-0037	56,647	-
Child Care and Development Block Grant	93.575	QCC Workforce Registry	424,606	424,606
COVID-19 Child Care and Development Block Grant	93.575	C2AP CRRSA	322,481	322,481
COVID-19 Child Care and Development Block Grant	93.575	CAPP CRRSA	34,178	34,178
Subtotal COVID-19 Child Care and Development Block Grant			<u>3,417,992</u>	<u>3,232,125</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-0050	249,825	249,825
Subtotal CCDF Cluster			<u>3,667,817</u>	<u>3,481,950</u>
Passed through Family Health International (FHI360)				
Allergy and Infectious Diseases Research	93.855	PO US00241	31,661	-
Allergy and Infectious Diseases Research	93.855	PO21000680	19,469	-
Passed through Fred Hutchinson Cancer Research Center				
Allergy and Infectious Diseases Research	93.855	0001011596	63,133	-
Allergy and Infectious Diseases Research	93.855	0001053255	29,350	-
Passed through Magee-Womens Research Institute And Foun				
Allergy and Infectious Diseases Research	93.855	9649	89,631	-
Passed through RTI International				
Allergy and Infectious Diseases Research	93.855	2-312-0217681-66232L	29,404	-
Passed through State of California Department of Alcohol and Drug Programs				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	none	7,430,244	7,430,244
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Total			329,494,992	58,708,388

See accompanying notes to the Schedule of Expenditures of Federal Awards

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Program				
COVID-19 Assistance to Firefighters Grant	97.044	--	\$ 868,311	\$ -
Port Security Grant Program	97.056	--	1,679,874	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	--	1,191,287	-
Securing the Cities Program	97.106	--	1,110,839	-
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	--	291,275	-
Financial Assistance for Targeted Violence and Terrorism Prevention	97.132	--	166,316	-
Passed through State of California Governor's Office of Emergency Services				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4158-DR-CA	2,191,549	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4558-DR-CA	16,398	-
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4482	29,478,968	-
Subtotal Disaster Grants - Public Assistance (Presidentially Declared Disasters)			31,686,915	-
Hazard Mitigation Grant	97.039	4353-171-46P	735	-
Hazard Mitigation Grant	97.039	4344-459-102r	1,021,850	-
Hazard Mitigation Grant	97.039	4407-182-5R	268,125	-
Subtotal Hazard Mitigation Grant			1,290,710	-
Emergency Management Performance Grants	97.042	2019-0003	174,673	-
Emergency Management Performance Grants	97.042	2020-0019	6,045	-
COVID-19 Emergency Management Performance Grants	97.042	2020-0006	7,359	-
Subtotal Emergency Management Performance Grants			188,077	-
Homeland Security Grant Program	97.067	2017-0083	33,008	-
Homeland Security Grant Program	97.067	2018-0054	5,780,671	4,163,610
Homeland Security Grant Program	97.067	2019-0035	9,923,188	4,431,546
Homeland Security Grant Program	97.067	2020-0095	5,236,222	2,943,984
Subtotal Homeland Security Grant Program			20,973,089	11,539,140
U.S. DEPARTMENT OF HOMELAND SECURITY Total			59,446,693	11,539,140
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 959,172,270	\$ 158,473,922

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**CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

1. GENERAL

The schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the City and County of San Francisco (City). All federal awards received directly from federal agencies as well as federal awards passed through other non-federal agencies are included in this Schedule except for assistance related to Medical Assistance (Medi-Cal) and Medicare Hospital Insurance (Medicare) (see Note 4).

The City's basic financial statements include the operations of the San Francisco County Transportation Authority (Authority), the San Francisco International Airport (Airport), the Municipal Transportation Agency (MTA), and the Successor Agency to the San Francisco Redevelopment Agency (Successor Agency). The expenditures of the Authority, the Airport, the MTA, and the Successor Agency are not included in the schedule of expenditures of federal awards for the year ended June 30, 2021. Federal expenditures for these entities are separately audited.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note 2(b) of the City's basic financial statements, with the exception of the Economic Adjustment Assistance Program described in Note 5. The City did not elect to use the 10% de minimis cost rate as covered in U.S. Code of Federal Regulations, Title 2 section 200.414 Indirect (F&A) costs.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS AND BASIC FINANCIAL STATEMENTS

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the governmental funds, and as expenses for noncapital expenditures and as additions to capital assets for capital related expenditures in the proprietary funds. Amounts reported in the accompanying Schedule agree or can be reconciled with amounts reported in the related federal award reports and the City's basic financial statements.

4. MEDI-CAL AND MEDICARE

Direct Medi-Cal and Medicare expenditures are excluded from the Schedule. These expenditures represent fees for services and are not included in the Schedule or in determining major programs. The City assists the State in determining eligibility and provides Medi-Cal and Medicare services through City-owned facilities. Administrative costs related to Medi-Cal and Medicare are, however, included in the Schedule under the Medical Assistance Program (Assistance Listing Number 93.778).

5. ECONOMIC ADJUSTMENT ASSISTANCE PROGRAM

For the purpose of calculating federal expenditures for the Schedule, grants for revolving loan funds (RLF) under the Economic Adjustment Assistance Program (Assistance Listing Number 11.307) are calculated as the federal share of the sum of RLF loans outstanding at the end of the fiscal year, cash and investment balance in the RLF at the end of the fiscal year, administrative expenses paid out of RLF income during the year, and the unpaid principal of all loans written off during the year.

The City incurred a total of \$689,065 in federal expenditures under the Economic Adjustment Assistance Program for the fiscal year ended June 30, 2021. As of June 30, 2021, the total outstanding RLF and cash and investments in the RLF were \$377,192 and \$74,868, respectively. There were no administrative expenses paid out of the RLF income and no write offs of unpaid principal of loans during the year. The federal share of the RLF was 64.8%.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

6. CALIFORNIA DEPARTMENT OF AGING (CDA) SINGLE AUDIT REPORTING REQUIREMENTS

The terms and conditions of agency contracts with CDA require agencies to display State-funded expenditures discretely along with the related federal expenditures. CDA grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For State grants not involving federal funding, the amounts are to be displayed separately. The following schedule is presented to comply with these requirements.

Federal Grantor	Grant /	Assistance	Expenditures		
Pass-through Grantor	Contract No.	Listing No.	State	Federal	
Program Title					
U.S. Department of Agriculture					
Passed through State of California, Department of Aging:					
Aging Grant Supplemental Nutrition Assistance Program - Ed	SP-1920-06	10.561	\$ -	\$ 65,197	
Aging Grant Supplemental Nutrition Assistance Program - Ed	SP-2021-06	10.561	-	74,962	
U.S. Department of Health and Human Services					
Passed through State of California, Department of Aging:					
Special Programs for the Aging-Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	AP-2021-06	93.041	*	-	12,964
Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	AP-2021-06	93.042	*	-	39,037
Coronavirus Aid, Relief, and Economic Security Act Long Term Care Ombudsman Services for Older Individuals	CARES-06	93.042	*	-	23,145
Special Programs for the Aging Title III, Part D - Disease Prevention and Health Promotion Services	AP-2021-06	93.043	*	-	74,148
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers	AP-2021-06	93.044	*	-	1,084,580
Coronavirus Aid, Relief, and Economic Security Act Grants for Supportive Services and Senior Centers	CARES-06	93.044	*	-	500,325
Special Programs for the Aging-Title III, Part C - Nutrition Services	AP-1920-06	93.045	*	331,526	-
Special Programs for the Aging-Title III, Part C - Nutrition Services	AP-2021-06	93.045	*	771,048	1,738,356
Coronavirus Aid, Relief, and Economic Security Act Title III-Nutrition Services	CARES-06	93.045	*	-	1,200,728
Coronavirus Aid, Relief, and Economic Security Act Special Programs for the Aging, Title IV, and Title II Discretionary Projects	AD-CARES-1920-05	93.048		-	151,914
National Family Caregiver Support, Title III, Part E	AP-2021-06	93.052	*	-	502,925
Coronavirus Aid, Relief, and Economic Security Act National Family Caregiver Support, Title III, Part E	CARES-06	93.052	*	-	100,203
Nutritional Services Incentive Program	AP-2021-06	93.053	*	-	2,076,669
Medicare Enrollment Assistance Program	MI-1819-06	93.071		-	13,826
Medicare Enrollment Assistance Program	MI-2021-06	93.071		-	46,716
State Health Insurance Assistance Program	HI-1718-06	93.324		-	1
State Health Insurance Assistance Program	HI-2021-06	93.324		210,737	98,001
				1,313,311	\$ 7,803,697
State Award - California Department of Aging					
State Health Facilities Citation Penalties					
Account, General Fund Allocation	AP-2021-06			42,566	-
Skilled Nursing Facility (SNF) Quality and Accountability Fund (QAF) Allocation	AP-2021-06			23,384	-
Ombudsman State General Fund	AP-2021-06			134,593	-
Ombudsman Public Health L&C Program Fund	AP-2021-06			4,923	-
Total Expenditures of CDA Awards			\$	1,518,777	

* The Aging Cluster reflected on the City's SEFA includes the assistance listing numbers defined by the State of California Department of Aging. This is different from the part 5 of the OMB Compliance Supplement, as permitted by the Uniform Guidance in 2 CFR 200.217.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

7. PROGRAM TOTALS

The following table summarizes programs funded by various sources or grants whose totals are not shown on the Schedule.

Assistance Listing no. / Program Title / Federal Grantor or Pass-Through Grantor	Pass-Through Identifying Number	Federal Expenditures
(1) Assistance listing no. 10.561 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		
State of California Department of Aging	SP-1920-06	\$ 65,197
State of California Department of Aging	SP-2021-06	74,962
State of California Department of Public Health	19-10345	507,429
State of California Department of Social Services	None	43,538,129
	Program Total	<u>\$ 44,185,717</u>
(2) Assistance listing no. 16.738 - Edward Byrne Memorial Justice Assistance Grant Program		
U.S. Department of Justice	--	\$ 793,435
Board of State and Community Corrections	BSCC 0125-18-MH	19,125
Board of State and Community Corrections	2016-DJ-BX-0446	20,450
	Program Total	<u>\$ 833,010</u>
(3) Assistance listing no. 21.019 - Coronavirus Relief Fund		
U.S. Department of Treasury	--	\$ 63,049,489
State of California Governor's Office of Emergency Services	none	20,660,712
	Program Total	<u>\$ 83,710,201</u>
(4) Assistance listing no. 93.279 - Drug Abuse and Addiction Research Programs		
U.S. Department of Health and Human Services	--	\$ 99,049
Public Health Foundation Enterprise	0391.0105	41,660
Public Health Foundation Enterprise	0526.0103	49,871
Public Health Foundation Enterprise	0526.0104	3,600
Public Health Foundation Enterprise	0752.0101	86,571
Public Health Foundation Enterprise	0760.0101	48,925
Oregon Health & Science University	1017225-SFDPH	28,916
Oregon Health & Science University	1017225_SFDPH a01	3,670
	Program Total	<u>\$ 362,262</u>
(5) Assistance listing no. 93.323 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		
State of California Department of Public Health	COVID-19ELC38	\$ 833,534
Public Health Foundation Enterprise	0187.2207	17,209
Public Health Foundation Enterprise	0187.2208	103,409
Public Health Foundation Enterprise	0187-4280	217,668
	Program Total	<u>\$ 1,171,820</u>
(6) Assistance listing no. 93.778 - Medical Assistance Program		
State of California Department of Public Health	20-10543	\$ 255,262
State of California Department of Public Health	202038	4,423,284
State of California Department of Social Services	None	84,245,610
State of California Department of Health Care Services	20-03	286,511
State of California Department of Health Care Services	20-04	888,257
	Program Total	<u>\$ 90,098,924</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

7. PROGRAM TOTALS (Continued)

Assistance Listing no. / Program Title / Federal Grantor or Pass-Through Grantor	Pass-Through Identifying Number	Federal Expenditures
(7) Assistance listing no. 93.855 - Allergy and Infectious Diseases Research		
Regents of the University of California	10612sc	\$ 4,657
Regents of the University of California	10612sc03	24,270
Regents of the University of California	11324sc	3,724
Regents of the University of California	11324sc 02	44,574
Regents of the University of California	11638sc	5,556
Public Health Foundation Enterprise	0014.0108	14,577
Public Health Foundation Enterprise	0014.0109	51,602
Public Health Foundation Enterprise	0433.0101	12,752
Public Health Foundation Enterprise	0689.0101	7,958
Family Health International (FHI360)	PO US00241	31,661
Family Health International (FHI360)	PO21000680	19,469
Fred Hutchinson Cancer Research Center	0001011596	63,133
Fred Hutchinson Cancer Research Center	0001053255	29,350
Magee-Womens Research Institute And Foundation	9649	89,631
RTI International	2-312-0217681-66232L	29,404
	Program Total	<u>\$ 432,318</u>
(8) Assistance listing no. 93.918 - Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease		
U.S. Department of Health and Human Services	--	\$ 384,137
San Francisco Community Clinic Consortium	H76HA00163	178,282
	Program Total	<u>\$ 562,419</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

8. CALIFORNIA DEPARTMENT OF EDUCATION (CDE) REPORTING REQUIREMENTS

The terms and conditions of contracts with CDE require agencies to display State-funded expenditures discretely along with the related federal expenditures. CDE grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For State grants not involving federal funding, the amounts are to be displayed separately.

Federal Grantor Pass-through Grantor Program Title	Grant / Contract No.	Assistance Listing No.	Award Amount		Expenditures	
			State	Federal	State	Federal
U.S. Department of Agriculture						
Passed through State of California, Department of Education:						
School Breakfast Program	02502-SN-38-R	10.553	\$	-	\$	10,115
National School Lunch Program	02502-SN-38-R	10.555		-		17,458
Child and Adult Care Food Program	04029-CACFP-38	10.558		-		554,053
Summer Food Service Program for Children	04029-SFSP-38	10.559		-		536,662
U.S. Department of Health and Human Services						
Passed through State of California, Department of Education:						
Preschool Development Grant - Renewal	20-15548-0-00	93.434		-		70,986
Preschool Development Grant - Renewal	21-15548-0-00	93.434		-		140,668
Preschool Development Grant - Renewal	22-15548-0-00	93.434		-		67,875
Child Care and Development Block Grant	19-14092-25630-01	93.575		-		108,909
Child Care and Development Block Grant	19-14092-25630-02	93.575		-		247,525
Child Care and Development Block Grant	19-14130-25630-02	93.575		-		217,817
Child Care and Development Block Grant	19-14130-25630-03	93.575		-		74,261
Child Care and Development Block Grant	20-14092-0-00	93.575		-		241,361
Child Care and Development Block Grant	20-14130-0-00	93.575		-		72,095
Child Care and Development Block Grant	C2AP-0045	93.575	8,334,467	1,764,386	6,159,946	1,701,641
Child Care and Development Block Grant	CAPP-0050	93.575	53,349	637,609	44,499	351,500
Child Care and Development Block Grant	CLPC-0037	93.575	5,122	56,647	5,122	56,647
Child Care and Development Block Grant	QCC Workforce Registry	93.575	43,880	424,606	16,575	424,606
COVID-19 Child Care and Development Block Grant	C2AP CRRSA	93.575	124,716	322,481	124,716	322,481
COVID-19 Child Care and Development Block Grant	CAPP CRRSA	93.575	2,364	34,178	2,364	34,178
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	CAPP-0050	93.596	291,158	260,713	187,596	249,825
			8,855,056	\$ 5,860,405	6,540,818	\$ 4,786,105
State Award - California Department of Education						
California State Preschool-California Migrant Program Quality Rating and Improvement Systems Block Grant	19-25276-68478-00		1,040,394		67,787	
California State Preschool-California Migrant Quality Rating and Improvement Systems Block Grant	20-25276-68478-00		1,205,183		1,205,183	
Total Expenditures of CDE Awards			\$ 11,100,633		\$ 7,813,788	

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**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco, California (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 2, 2022, except for our report on the schedule of expenditures of federal awards, as to which the date is June 3, 2022. Our report includes a reference to other auditors who audited the financial statements of the San Francisco County Transportation Authority, San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, Municipal Transportation Agency, San Francisco Wastewater Enterprise, and the Health Service System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini E O'Connell LEP". The signature is written in a cursive, flowing style.

San Francisco, California
February 2, 2022



**Independent Auditor's Report on Compliance for
Each Major Federal Program and Report on Internal Control Over
Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited the City and County of San Francisco, California's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the San Francisco County Transportation Authority (Authority), the San Francisco International Airport (Airport), the Municipal Transportation Agency (MTA), and the Successor Agency to the San Francisco Redevelopment Agency (Successor Agency), whose expenditures in federal awards are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2021. Our audit, described below, did not include the operations of these organizations. We were engaged to perform an audit in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and report on the results separately to the Successor Agency. The Authority, the Airport, and the MTA engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Unmodified Opinion on Each of the Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



San Francisco, California
June 3, 2022

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(cies) identified?	No
Type of auditor’s report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number(s)</u>
SNAP Cluster	10.561
Emergency Solutions Grant Program.....	14.231
Housing Opportunities for Persons with AIDS.....	14.241
Continuum of Care Program.....	14.267
Coronavirus Relief Fund.....	21.019
Emergency Rental Assistance Program	21.023
Coronavirus State and Local Fiscal Recovery Funds	21.027
Guardianship Assistance.....	93.090
Provider Relief Fund.....	93.498
CCDF Cluster.....	93.575, 93.596
Foster Care Title IV-E.....	93.658
HIV Emergency Relief Project Grants.....	93.914
HIV Care Formula Grants.....	93.917
Block Grants for Community Mental Health Services	93.958
Disaster Grants – Public Assistance (Presidentially Declared Disasters).....	97.036
Homeland Security Grant Program.....	97.067
Dollar threshold used to distinguish between Types A and B programs	\$3,000,000
Auditee qualified as a low-risk auditee?	No

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section II - Financial Statement Findings:

None reported

Section III - Federal Awards Findings:

None reported



OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS

Reference Number: 2020-001
Internal Controls Over Evaluation of Credit Balances – Zuckerberg San Francisco General Hospital
Significant Deficiency in Internal Controls over Financial Reporting

Audit Finding: Zuckerberg San Francisco General Hospital (ZSFG) derives a significant portion of its charges for services revenues from patient service charges. For financial reporting, patient accounts receivable are recorded net of estimated allowances, which include allowances for contractual adjustments and bad debt. These allowances are based on current payment rates, including per diems, diagnosis-related group (DRG) reimbursement amounts and payment received as a percentage of gross charges.

Given the volume of transactions, hospitals must continuously reconcile patient accounts receivable with payments and credit adjustments, and evaluate negative patient receivable accounts that often result from overpayments, differences in coding classifications with insurance providers, incorrect or adjusted rates in the billing system, and other reasons. While negative patient receivable accounts resulting from overpayments represent a liability to the hospital, negative balances resulting from coding or other adjustments improperly understate patient accounts receivable. The evaluation of negative patient receivable accounts is a necessary and universal practice to the healthcare industry, and often involve coordination with external parties such as insurance providers.

As of June 30, 2020, ZSFG's net patient accounts receivable of \$65.6 million includes credit balances of \$31.3 million, which represents an 81% increase from the credit balance of \$17.3 million as of June 30, 2019. As of January 2021, ZSFG's analysis of these negative patient receivable accounts identified approximately \$21.6 million of the \$31.3 million credit balances to have resulted from coding and other adjustments. A similar analysis of credit balances as of June 30, 2019 identified \$8.0 million of adjustments. These adjustments were posted to the Epic electronic health record system, and subsequently to the PeopleSoft financial management system, during the months of correction in the subsequent fiscal year. As a result, the estimated net impact to ZSFG's financial statements is \$8.0 million of understated net position as of June 30, 2019, \$13.6 million of understated patient services revenues in fiscal year 2019-20 revenues, and \$21.6 million of understated patient accounts receivable as of June 30, 2020.

Status of Corrective Action: Corrective action was implemented.



OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Reference Number: 2020-002
Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Assistance Listing Number 97.036
Period of Performance
Material Noncompliance & Material Weakness in Internal Controls over Compliance

Audit Finding: The City claimed various non-labor expenditures for the fiscal year ended June 30, 2020 under the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program which fell outside of the period of performance specified through the award agreements noted above. Specifically, a total amount of \$8,108,482 in non-labor costs claimed for the program was identified as being unallowable, of which \$6,081,362 was the federally claimed portion. This City subsequently corrected its schedule of expenditures of federal awards for the year ended June 30, 2020, reducing the reported total for the program by this amount.

Status of Corrective Action: Corrective action was implemented. Additionally, the grant awards for the program were retroactively extended and the period of performance was modified to encompass the time frames that gave rise to the finding for the year ended June 30, 2020. As such, the noncompliance identified under finding 2020-002 related to the period of performance is effectively obsolete with these retroactive extensions.